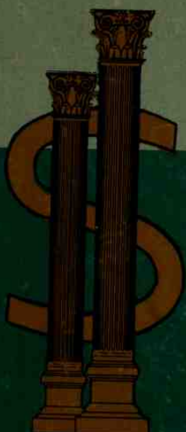
The Most Fantastic and Unbelievable Fraud in History

THE FEDERAL RESERVE BANK



By

H. S. Kenan

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INTRODUCTION

Very few people understand the manner in which our money is issued and who profits therefrom. The difficulty is not in the subject itself, but in the deliberate deception by those who have enriched themselves at the expense of every man, woman, and child in the U.S.!

For 55 years, the Federal Reserve System has controlled the issuance and the volume of our money, providing the ideal opportunity for scheming capitalists including well-paid agents to skim off the cream of our national productive effort for their own enrichment.

This has occurred because the Federal Reserve System is actually a privately owned fractional reserve central bank of money issue, organized for private profit, and independent of our government.

H. S. Kenan, a lifelong student of this subject and a research scholar, has written a commendable book, reducing the complicated, technical subject of economics and fiscal policies to simple terms and providing background and interpretation so that the reader can grasp what is going on.

In the 18th century, the goldsmiths of Europe set the pattern for fractional reserve banking, which developed into the privately owned central bank system. Its further flowering embraced the most important aspect of power control—to issue money.

Meyer Amschel Rothschild, who founded a great banking complex, declared, "Give me control over a nation's economy, and I care not who makes its laws." Nothing could be more simple, accurate—and ominous!

Under Article I, Section 8 of the Constitution, Congress alone has the power "To coin Money, (and) regulate the value thereof . . . ." But what has happened in practice?

Starting in 1912 with the election of Woodrow Wilson, the stage was set for one of the greatest money power grabs in history—destined to erode the power of our government to regulate the value and supply of money and place it under the control of a select group of international money managers.

The following year the Federal Reserve Act was passed. Here you will learn, probably for the first time, names and other details of those involved in this infamous act, carried through the halls of Congress by the money-manager hirelings of Wilson, Carter Glass, and others.

Early in 1933 the next development occurred. Planners in New York City set the stage, through the newly elected President, Franklin D. Roosevelt, to begin to siphon out of this country our reserves of gold and silver, with the aid of Federal Reserve Board members and others ensconced in high level stations in the New Deal and abroad.

Today the nation faces a severe money crisis. Our gold and silver reserves are perilously low and are rapidly disappearing. Alert voices throughout the country have been urging Congress to buy back the capital stock of the Federal Reserve System, thus saving billions squandered in unnecessary interest for the privilege of issuing our own

money by the privately owned Federal Reserve Bank. Our annual interest bill to that institution is an appalling $13 billion.

Naturally the Federal Reserve System is not eager to give up its preferred position, and could not be expected to do so without a knockdown fight. It will claim that should Congress issue our money debt free, we would then have unlimited fiat money. This argument is merely a smoke screen to protect the Bank from being deprived of its great annual profit at the expense of the American people.

Since the Federal Reserve has a Board to supervise the issuance of our money, it follows that the President and the Congress could readily set up a responsible, nonpartisan board, on the *highest* level, to function for us all.

Today our Western civilization is controlled by privately owned fractional reserve central banks of money issue. The Fabian Socialists and one-world revolutionaries are driving toward complete control of the world's long-range monetary policy and principal world markets for their own profit. They foment foreign wars to aid this objective.

Congress should reacquire its constitutional function of issuing money. The time is short!

Study this important book and familiarize yourself with this vital subject. Distribute copies to friends and relatives. Urge your congressmen to support legislation to accomplish the much-needed changes stressed in this volume.

The country—and the money—you save WILL be your own.

CURTIS B. DALL

Philadelphia, Pa.
April, 1968

FOREWORD

The Federal Reserve Bank should be required reading for all Americans who wish to preserve the principles upon which this nation was founded and to halt its conversion to a socialistic state.

H. S. Kenan draws on a lifetime of research to present an easily understood picture of the forces at work whose intentions are to bring about the collapse of this nation and the bondage of its citizens.

He exposes, in a "no holds barred" fashion, the persons responsible for the centralization of this nation's credit in the hands of the state, the unlimited power they wield over the economy of our nation and what an enlightened citizenry can do to stop the spread of this giant swindle.

If this nation is to survive, it is to men like Mr. Kenan, who dare to speak the truth, that we shall be forever indebted.

As you turn the last page of this book, I am sure you will agree with me when I say, "The abolishment of the

Federal Reserve System will surely signal the beginning of the end for creeping socialism in the United States."

SENATOR DENNIS P. O'GRADY
The Capitol Building
Tallahassee, Fla.

May 25, 1967

* * * * *

Abraham Lincoln, after the passage of the National Banking Act of 1863, and shortly before his assassination, said: "I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country; corporations have been enthroned, an era of corruption in High Places will follow, and the Money Power of the Country will endeavor to prolong its reign by working upon the prejudices of the People, until the wealth is aggregated in a few hands, and the Republic destroyed."

HIS PROPHECY HAS BEEN ALL BUT FULFILLED.

* * * * *

This book penetrates deep into the root causes of world unrest and exposes the powerful interlocking forces of finance that rule unchallenged over the nations of the world. These international bankers will stop at nothing to satisfy their greed. They print money at no cost to lend to your government for interest-bearing bonds. This money power in their hands enabled them to create two world wars, two depressions, and bring on the present world crisis leading to the death of our Constitution and the end of our liberties. Their purpose is to carry out their nearly fulfilled world dictatorship plan.

AUTHOR'S PREFACE

Most people, when asked about money, will say that all they know about money is that they don't have enough. This is unfortunate. Money is a manufactured item. The amount of money available to the economy is determined by the manufacturers. And this amount—usually called the money supply—is one of the two or three most important influences determining business activity, incomes, prices, and economic growth.

Under the Constitution, it is the right and duty of Congress to create money. It is left entirely to Congress.

Congress has farmed out this power—has let it out to the banking system, composed of the Federal Reserve and the commercial banks. Only these two can manufacture money, i. e., currency and demand deposits (checkbook money) which are instantly available to make purchases and pay bills. (Exactly how this system creates money will be explained in the body of this book.) None of the other financial institutions of any nature has this power to manufacture money.

The manufacturers of money possess immense power

which, if properly used, can work in the public interest. But the same power, if abused, can be greatly detrimental to national welfare. The power has been abused, and reforms are needed to promote the public interest.

The ability to manufacture money is the heart of the commercial banking system. Bank profits depend on the lending and investing of bank created money. Banks are given this privilege, of creating the very money they profit from, because they have an important economic function to perform. Banks provide the money which the economy needs to prosper and grow. This money is not unlimited. The banking system can create only so much money at any time. (Who decides how much money can be created and how the decision is made effective is another subject dealt with in the body of this book.) Since money is limited, someone must decide where the best places are to put the available money and under what conditions. This the banking system does. Bank earnings are the return for the wise and proper placing of our money supply.

Individual banks are chartered primarily for the purpose of serving the areas in which they operate. The public interest is served if the bank creates money to satisfy the needs of its area, as far as possible, and help the progress of the community.

For some time now, the banks have been forgetting their primary purpose. They have become less and less interested in extending credit to the local businessman or farmer, especially if he is small. They have been reaching out and using their money-creating power to purchase long-term U. S. Government and tax-free municipal bonds. The government, with its credit rating, doesn't need their money; their local areas do. But purchasing government and municipal bonds is profitable and requires almost no time or paperwork.

Bankers, like other people, can forget their duties and look at their activity purely from their own, narrow view-

point—the level of bank earnings. When they do, their obligation to help the people of their area with expanded credit is shunted aside; they are no longer operating in the public interest.

Originally, there was a residence qualification for bank directors. They were required to reside within the same limited area where the bank was to operate. The purpose of this requirement was to assure bank operation by local people who had the interest of the area at heart. State laws also required that bank directors live nearby.

These laws have changed in recent years. Now only a certain number of directors must live in the locality. The others, in some cases, can live outside the state. In other cases, they are not bound by any residence requirements. Still other laws have been altered. Holding companies are now permitted, whose directors may live in another city or state, and who maintain control through local dummy directors. The local bank is then actually operated by absentee owners.

This, too, is a serious matter and requires careful attention. The independent bank, locally owned and operated, is a bulwark of strength in our country. Its disappearance is an abuse and should be stopped. If the present trend continues, the commercial banking system in the near future will be owned largely by absentee owners and a handful of financial centers.

The questions at issue do not include whether banks should be permitted to make ample profits from their money manufacturing franchise. Of course they should. Commercial banks are an important part of our economy. They have served our country well both in peace and war. The required reforms are called for only to assure that banks serve the public interest while earning their profits. The country needs banks and an efficient banking system. And banks must have fair profits to do an adequate job.

The Federal Reserve System, consisting of 12 regional Federal Reserve banks and the Federal Reserve Board in Washington, is the control organization guiding the money manufacturing process—as will be explained later. The System was created by Congress and is a creature of that body.

As the ultimate controller of the money supply, the Federal Reserve has immense power. It is widely admitted that its influence on the level of business activity is significant. In fact, an important group of economists believe that the money supply is the main factor causing the ups and downs of the economy.

Although a creature of Congress, the Federal Reserve is, in practice, independent of that body in its policy-making. The same holds true with respect to the executive branch. The Federal Reserve neither requires nor seeks the approval of any branch of government for its policies. The System itself decides what ends its policies are aimed at and then takes whatever actions it sees fit to reach those ends.

This independent arrangement raises two major problems. First, in a democracy the responsibility for the government's economic policies, which so affect the economy, normally rests with the elected representatives of the people: in our case, with the President and the Congress. If these two follow economic policies inimical to the general welfare, they are accountable to the people for their actions on election day. With Federal Reserve independence, however, a body of men exist who control one of the most powerful levers moving the economy and who are responsible to no one. If the Federal Reserve pursues a policy which Congress or the President believes not to be in the public interest, there is nothing Congress can do to reverse the policy. Nor is there anything the people can do. Such bastions of unaccountable power are undemocratic. The Federal Reserve System must be reformed, so that it is answerable to the elected representatives of the people.

Second, by tolerating an "independent" Federal Reserve, the country is in the position of having two control centers independently trying to guide the economy. The President and the Congress dispose of a major influence over the economy in their power to tax and spend—their fiscal power. The Federal Reserve is the overlord of the money supply. If these two are not steering in the same direction, they can either neutralize each other or have the economy lurching in all directions. This is not a rational system for setting economic policy. It has given us trouble in the past, as the text will establish, and will inevitably in the future.

But even more important than the problem of coordination is that of final control. When the "independent" Federal Reserve clashes with the President and the Congress, whose will prevails? Under the present regulations for appointment and tenure on the Federal Reserve Board, there is no pat answer. For all his power and responsibility for the welfare of the country, the President is not master, even with the approval of Congress, of the country's economic policy.

Bad as "independence" is, the main fault of the Federal Reserve System—an admirable system if conducted in the public interest—is that too much power and control rests in the hands of people whose private interests are directly affected by the Federal Reserve's actions.

It is indisputable that the commercial banking community wields considerable power within the Federal Reserve. Each of the 12 regional Federal Reserve banks is operated by nine directors—six of them selected directly by the privately owned commercial banks. Further, the central decision-making body, which decides whether the System will press the accelerator or the brake, is the Federal Open Market Committee. (The Committee and its works are thoroughly discussed in the main text.) The Committee has 12 members. Seven are so-called public members—the members of the Federal Reserve Board—who are ap-

pointed by the President and ratified by the Senate. They represent the public interest. The other five members are drawn from the presidents of the 12 regional banks. Each bank elects its own president by a vote of the nine-man board of directors, with six private bank-selected directors on it.

This is not all. When the Open Market Committee meets every three weeks in Washington, all 12 regional bank presidents participate in the discussion, though only five can vote. The "discussion" committee then consists of the 12 regional presidents and the seven "public interest" board members. The 12 presidents, of course, are free to persuade as they see fit.

In addition, the Federal Reserve Board confers periodically with a Federal Advisory Council that both advises and consults on business conditions. The board of directors of each regional bank selects one member of the council, and he is usually a banker—representing the bankers of his district.

Here, then, is the private banker influence. What does this mean? It means simply that the private banking interests are intimately if not decisively involved in determining the nation's money supply and, consequently, the general level of interest rates. And interest rates are the very prices bankers charge for the use of their product—money. It means that decisions absolutely crucial to the public interest are arrived at by a body riddled with private interests, and these interests can easily conflict.

When the original Federal Reserve Act was being shaped in 1913, President Woodrow Wilson was aware of this conflict of interest. He refused to allow private bankers on any board that would have the power to fix interest rates or determine the money supply. When some prominent New York bankers asked for representation on the proposed Federal Reserve Board, Mr. Wilson asked, "Which one of you gentlemen would have me select presidents of

railroads to be on the Interstate Commerce Commission to fix passenger rates and freight rates?"

But institutions evolve. By 1934 and 1935, with Congress totally preoccupied by the cares of the great depression, new laws were passed essentially setting up the Federal Reserve System as it is today: a powerful central bank, as opposed to a conglomeration of regional banks, with a strong private banking voice on the decision-making Open Market Committee.

The Open Market Committee, as presently established, is plainly not in the public interest. This committee must be operated by purely public servants, representatives of the people as a whole and not any single interest group. The Open Market Committee should be abolished.

It may seem strange, but Congress has never developed a set of goals for guiding Federal Reserve policy. In founding the System, Congress spoke about the country's need for an "elastic currency." Since then, Congress has passed the Full Employment Act, declaring its general intention to promote "maximum employment, production, and purchasing power." But it has never directly counseled the Federal Reserve System.

The Federal Reserve has filled the vacuum itself. The ends its policies are intended to achieve are those chosen by the Federal Reserve—all certainly admirable, but not necessarily those which the Federal Reserve should take on itself to pursue. For example, there have been times when the Federal Reserve has restricted the money supply and raised interest rates to gain an end, which had much better been left to another government agency or the Congress to attain. The country could have had lower interest rates without sacrificing anything else.

Congress must be more explicit. Guidelines for monetary policy should be laid down. And an annual review of the Federal Reserve's policies should be held by the Sen-

ate and House Banking and Currency Committees. Reports should be filed and recommendations made, if any.

These criticisms and suggested reforms of the commercial banking and Federal Reserve Systems are offered for one purpose: to assure that the needs of the people and their government are served to the fullest possible extent. The commercial banking system has a clear-cut responsibility to its local area that it must fulfill. The Federal Reserve System can have only one consideration: the public interest. The nation's monetary system cannot be governed by or for the private interest of any one group.

There is no room in these criticisms for anything that smacks of unsound money. Neither inflation nor deflation is wanted. What is wanted is prosperity and high employment under the terms of the Full Employment Act. Our banking system, possessing the great monetary power of the United States, must serve that end.

CHAPTER I

INTERNATIONAL VULTURES

If the average man were asked to list the ten most powerful groups of men in the world, the chances are that he would fail to mention one particular group with enormous power right here in this country. If the polling were continued, and the next question were to name the market where most claims to wealth are traded, the answer would again be faulty: It is neither the New York Stock Exchange nor the Chicago Wheat Exchange nor the other obvious markets. In fact, the pollster would probably retire on old-age pension before he received the correct answers, so few are the people who know.

Further questions, about what the Federal Open Market Committee is, or the so-called open market for government securities, would still leave the pollster searching in vain. Few know about the Federal Open Market Committee or the open market, and very few people have ever heard of it.

If by power we mean power over our economic lives, one of the most powerful groups of men in the world is exactly that unknown group, the Federal Open Market Committee. In many ways their power is equal to that of

the President in deciding how the world's greatest economic machine will operate. That is power enough to rank high on any list. Yet this group operates with such little publicity that its existence is virtually unknown except to those few—the major bankers, giant financial houses, and trained economists—whose professional interests have provided them with knowledge about this sweepingly powerful arm of the government.

There are 19 participants in this powerful body, seven appointed by the President of the United States and confirmed by the Senate. Once appointed, however, a man serves for a period of 14 years, and cannot be removed by the President or by any other official, except for cause. A 14-year term means that only the President succeeding the one who appointed the member can possibly replace him. Because the terms are staggered so that one new member is appointed every two years, a President can just barely hope to appoint a majority of the seven if he serves two full terms allowed by the Constitution. These seven men are the members of the Board of Governors of the Federal Reserve System.

The other 12 men in this select group are elected to their places through the votes of private commercial bankers. Specifically, they are the presidents of the 12 Federal Reserve banks, elected to their posts indirectly by bankers from banks which are members of the Federal Reserve System.

The Open Market Committee's authority over the nation's economic life and its influence over the nation's position in world affairs lies in its power to determine this nation's credit policies. Determining credit policies means determining the nation's supply of money and credit, and therefore, the general level of interest rates, among other things.

On December 23, 1913, a privately owned Federal Reserve Corporation of international bankers, mostly foreign-

ers, was fraudulently, unconstitutionally, and surreptitiously foisted upon the American people by a small remnant of traitors or dupes in the Congress of the United States, after the great majority of loyal Congressmen had gone back home for Christmas.

This treason against the United States is the most colossal, fantastic, unbelievable fraud ever perpetrated upon a civilized nation. Under this Federal Reserve System, $36 billion in gold was stolen from the country in 1933 under President Roosevelt. The same private bankers made off with nearly $4 billion in silver under President Kennedy in 1963. Since the unconstitutional beginning, in 1913, of this arch-swindle, the Federal Reserve System has forced the greatest nation in history to suffer the absurd indignity of applying to individuals to maintain its credit.

CHAPTER II

WHAT IS MONEY?

The question "What is Money?" can be answered briefly: Money is anything that people will accept in exchange for goods or services in the belief that they may in turn exchange it now or later for other goods or services.

It is interesting to note that small purchases were frequently made by counting out loose shells. This may be why people even today say they are "shelling out" money.

Nevertheless, since the colonists did not trade with Indians only, they also used the coins of England, Spain, and France, both for trading among themselves and trading with foreign nations. As trade with Europe increased, these coins became their principal form of money circulating throughout the colonies as if they were locally minted.

In addition, most of the colonies began to create their own systems of money by minting coins, usually of gold or silver. Some of the colonies also issued paper money notes, supposed to be "good" for gold or silver coins. This meant that the colonists presumed that their treasuries had in their possession a dollar's worth of gold or silver to cover each dollar of paper money. Frequently, however,

this was mere "wishful thinking" on the part of the colonists.

During the reign of George III, his government forbade the colonies to mint coins—or to issue any other kind of money. This policy, together with the fact that most of the foreign coinage the colonists had been using was eventually drawn away to help England finance the Napoleonic wars, ultimately created a severe shortage of coined or printed money in the colonies. Some historians claim that the colonists' resentment against this policy was one of the major reasons they finally issued their Declaration of Independence from England.

Thus, despite the fact that the colonists had been using various foreign coins, and despite the fact that they also had been minting their own coins, these forms of money became generally scarce throughout the colonial period. In response to this shortage during the colonial period, and even later, the colonists began to use other, less familiar, commodities as money: nails, beaver and coon skins, whiskey, musket balls and flints, tobacco, corn, codfish, rice, timber, tar, or cattle.

For example, early in their history the colonists of Virginia, Maryland, and North Carolina adopted tobacco as their money standard and made it legal tender. When plantation owners harvested their tobacco and placed it in the warehouse to await sale, the warehouse operators issued the owners paper receipts for the tobacco. When the owners made these receipts transferable, they circulated as a principal currency throughout these states. In fact, some of the American people were still using such warehouse receipts to a small extent almost up to the year 1900, long after most Americans had become accustomed to using the lawful money, such as we use today.

The use of tobacco as a basis of money illustrates the difficulties a society faces when it tries to make any commodity—gold or anything else—the basis of its money.

When warehouse receipts for tobacco was the principal money in several of the early colonies, tobacco production was an important economic activity in these colonies. On the whole, tobacco money, though crude, did serve with reasonable efficiency considering the nature of the times.

But, as might be expected, what happened was that tobacco prices, which were determined in the markets in Europe, changed widely from season to season and year to year. This meant that the value of tobacco money changed relative to other commodities. Where long-term debts were contracted in terms of payment in tobacco money, neither the creditors nor the debtors could be sure what the value of the money would be when the debts were paid. These troubles, which inevitably increased as the economies of the colonies grew more diverse and complicated, led to efforts on the part of the state legislators first to fix the price of tobacco in terms of European money, then to fix the price of other commodities in relation to the tobacco.

With the Declaration of Independence, the colonists repudiated the rule of England, and with it, the right of King George and his government to regulate their coining or printing of money. To help finance the War of Independence, they permitted the Continental Congress to print and issue great quantities of paper money. But as the Revolutionary War went on, American trade with Europe was interrupted, creating a widespread shortage of almost all kinds of goods. Since the Congress continued issuing more and more "Continental dollars," this paper money rapidly came to be worth less and less. By the end of the war, "Continentals" were so worthless that Americans began using an expression we still hear today. When people now say that something is not "worth a continental," they mean exactly what the ex-colonists meant: that something has no value in itself—and that there is nothing behind it to give it value, even as a symbol.

The "Continental" became worthless, however, not only because there were shortages of commodities, but also because it was easy to counterfeit, and the British did exactly that. Further, the Continental Congress actually had neither the power to declare what could be used to pay debts, nor the power to tax. Both of these powers remained with the individual states, until the Constitution was adopted. And the states refused to make good the Continental money.

With independence from England established, with the creation of the United States of America as a nation under its own sovereign rule, and with the adoption of the Constitution as the law of the land, the American people were free also to create their own money system. They could now coin or print money as they saw fit—that is, they could permit their government to do it for them. But even after the new government coined metals and printed paper money currency, to some extent Americans continued to use other things as money, even though they were not lawful tender. The use of tobacco receipts and other kinds of money died out only gradually.

But the government was not the only printer of money. During the 19th century two other organizations were given the right to print money: state banks and then national banks.

Before Abraham Lincoln's administration, the private commercial banks were permitted to issue paper money, today called state bank notes. This meant that any private company that could obtain a charter to engage in the banking business from any one of the states could also print and issue currency, or notes, against the bank. And this was a time when most states followed the "free" banking principle; almost any group which desired to do so could open a bank, and issue notes. The terms and conditions under which these banks issued such notes, as well as the basis upon which they began to do business, de-

pended only upon the requirements of the state where the bank was chartered and the notes issued. Often the states had few or no formal requirements to start a bank. Since the value of the notes of any state bank depended upon the reputation of the bank itself, and the reputation of a bank usually was not known outside the locality where it did business many "frontier" or "wildcat" banks issued paper money with little or no value.

The state bank notes disappeared shortly after the government passed the National Bank Act of 1863. This act, passed at the request of President Lincoln, provided for a system of private banks which were to receive their charters from the federal government and operate under federal government regulations. The federal government authorized the new national banks to issue National Bank Notes, also under prescribed rules and regulations. In addition, in 1865 the government imposed a 10 per cent tax on notes issued by state banks which, for all practical purposes, made it impossible for them to issue notes any longer. At that time, President Lincoln said: "Money is the creature of law, and the creation of the original issue of money should be maintained as an exclusive monopoly of the National Government. The privilege of creating and issuing money is not only the supreme prerogative of the Government, it is the Government's greatest opportunity."

The federal government intervened in the printing of currency by private banks because this had begun to cause the nation a great deal of trouble. The United States was rapidly becoming industrialized; trade, once largely local, was growing nationwide in scope. Before the National Bank Act, there was no reliable money with a uniform value in every section of the country. Obviously, the unreliability of the money supply and its lack of uniformity were serious obstacles in nationwide trade. Moreover, the nation was being transformed into a "money economy." This means that even then Americans were moving into specialized occupations, in contrast to earlier times when

most people lived on farms, and each family produced at home much of what it needed. In a more complex and diversified economy, people gradually began to realize that it would be an advantage to have the federal government to provide a regulated national system supplying a reliable money to finance the increasing production and trade, in place of the state banks with their separate and unrelated note issues.

When Woodrow Wilson set up the Federal Reserve System in 1913, the government withdrew the national banks' privilege of issuing banknote currency. A relatively small amount (about $37 million) of these notes is still outstanding, however. People have either buried them away in private holdings, lost, or destroyed them. The U. S. Treasury will redeem them when they are turned in at the banks.

Today, the American people use coins, currency (paper money), and commercial bank demand deposits (checkbook money).

The reason is that with a checkbook—and some money in an account, of course—anyone can make purchases, pay bills, or instantaneously procure any of the other forms of money—currency and coins. In other words, it is possible to do almost everything with a check that can be done with currency and coins. Not everything, however. People do not offer bus drivers checks when they want change. Only coin and paper money will do. Checks are not freely convertible everywhere into paper money and coins—cashing a check is a problem away from the bank which holds the deposit. But a checking account is so very close to the other two forms of money—representing purchasing power which is immediately available—that students of monetary affairs find it most convenient to include commercial bank demand deposits in the meaning of money. Savings deposits at commercial banks—technically, "time" deposits—are not included. The purchasing power in a savings account cannot be transferred by check.

At the time the Constitution was adopted, bank checks were almost unknown. In 1850, about half of the nation's money was in the form of bank deposits. Today, about 80 per cent of all money is in the form of commercial bank deposits.

Legal tender is any form of money which the U. S. Government declares to be legal tender; that is, good for payment of taxes and both public and private debts.

Our money is valuable, primarily, because people will accept it in exchange for goods and services, as mentioned earlier in the chapter. But why will people accept it? And why don't they accept Confederate notes or German marks as well? The answer is the legal status of the dollar. As legal tender, the dollar can be used to pay taxes—it's advisable not to use marks. And debtors can discharge their debts by paying dollars. This is what a court will order debtors to do if they are sued for nonpayment. This makes the dollar valuable to creditors because debtors, wishing to acquire dollars to pay debts, will exchange valuable commodities or services for it.

Today, the U. S. Government mints pennies, nickels, dimes, quarters, and half dollars. The pennies or "coppers," of course, are made of copper. The other coins are made of alloys of metal, the most valuable of which is silver, and the actual metals in the coins are not worth as much as the coins themselves.

Before 1934, the Treasury minted and issued gold coins; it no longer does. The government enacted a law in 1934 prohibiting the use of gold coins as money, and calling in all gold coins issued before that time, except for the few people have been allowed to keep as souvenirs.

In the United States, only the federal government may mint and issue coins. Specifically, the U. S. Treasury is the single institution that does so. The Treasury, however, issues coins through the Federal Reserve banks.

Currency is the paper money, $1 bills, $5 bills, $10 bills, and higher denominations. Americans use several different forms of currency today, although few of us notice any difference between them, and in practice, all forms of currency have the same value. At the end of February, 1964, the amounts of each kind of currency, "paper money," in circulation were as follows:

Federal Reserve Notes	$31,107,000,000
Silver Certificates and Treasury Notes of 1890	1,718,000,000
U. S. Notes	312,000,000
Federal Reserve Bank Notes	75,000,000
National Bank Notes	37,000,000
Total	$33,249,000,000

The government no longer issues Federal Reserve Bank Notes and National Bank Notes.

The reader's attention is called to the Silver Certificates and U. S. Notes amounting to $2,030,000,000. This money belongs to the U. S. Government and the people; therefore, we pay no interest on this money.

The writer has a letter from the Secretary of the Treasury stating that 5% interest on these Silver Certificates and U. S. Notes, compounded from the time of issue, as of January 1, 1964, would amount to $49 billion. The Federal Reserve has recently been replacing these Silver Certificates with Federal Reserve IOU's. They have to have the interest, you know.

President Johnson recently requested Congress to increase the national debt limit another $9 billion, which was granted. The interest on this amount for the first year will be $360 million, then increase every year. Congress could have authorized this money to be printed, backed by either silver or U. S. Notes, thereby saving the interest.

Most people do not realize what an astronomical sum $1 billion is. As an illustration, let's assume you gave your

wife $1 billion and told her not to come home until she had spent it all. If she spent $1,000 per day, you would not see her again for 2,776 years.

Here's another way to understand a billion dollars: If each soldier carried a 50-pound pack of dollar bills, it would take 42,500 men to carry a billion dollars.

We are now paying nearly $1¼ *billion* per month interest on the national debt. Alarming, isn't it?

CHAPTER III

HOW IS MONEY CREATED?

Where does money come from? This is a question few of us ever think about. Not having thought about the matter, most people tend to assume that money has always been here and that some law of nature guarantees a fixed and unchanging supply of it. In any case, it seems that the less people know about money, the more strongly they feel that the whole subject should be left alone. When any public figure suggests that the money system should be improved in some respect, or perhaps that there should be more or less money, many people react as though he were proposing to meddle with nature or perhaps profane the sacred.

These attitudes, of course, simply reflect confusion about one of the government's most essential activities. The amount of money in the nation at any time is as much a decision of the government as anything else the government does. And this decision is, of course, an important one. It determines the general level of interest charges for carrying a home mortgage or financing a new school or other community facility. It is true that the federal government does sometimes make decisions when de-

cisions are not absolutely called for. There are things that should be left alone. But not the money supply. This is something the government must decide about. If it did not do so, economic chaos would result.

There are many reasons why the general public doesn't really understand our monetary system. In the first place, money is something that people tend to get emotional about. After all, money involves, and always has involved, something closely akin to faith—which probably explains why in many past societies the money system has been in the hands of a priesthood, the subject of magical rites and the ceremonial services of the tribe's medicine man.

Then, some of those who do understand the workings of our monetary system seem to feel they are in possession of secrets which cannot be revealed safely to the public. Unraveling the mystery, they feel, would somehow destroy a money system built on exchange of paper and not "real" goods such as gold and silver. For this reason, it has been traditional for bankers and other private managers of money to cloak the working of the money system with the mantle of secrecy. And many of our high public officials share this view. Although they are appointed to represent the public interest, they seem to feel that it would be somehow dangerous to talk about our monetary system in ways that let the public understand who does what, and why. These officials seem very partial to terms that imply that the supply of money—and interest rates—are subject to powerful economic laws over which men have no control.

But, of course, money has not always been here. It was certainly not here when the first settlers arrived. Furthermore, the supply of money in the country on any given day has almost always been greater than it was a few years before. For example, in 1913, when the Federal Reserve System was organized, the total supply of money in the country was $12 billion. By 1929 it was $26 billion.

If the supply of money in the United States had not grown since 1913, there would not have been enough to accommodate the larger population and volume of production and trade in 1929, to say nothing of today's still larger population and tremendously larger volume of production.

Where has the extra money come from? It has been created—manufactured, and not by the impersonal forces of nature, but by man.

In this chapter we will discuss the ways money has been created, as well as the part played by those who decide how much money is to be created.

As might be imagined, our present system of money creation is the result of a long evolutionary process. So perhaps the easiest—and undoubtedly the most interesting—way of describing the mechanics of our present system is to begin with some questions and answers about the ancestors of our present bankers, the goldsmith bankers. For they originated the basic principles underlying the modern monetary machine.

Who were the goldsmith bankers? They were private bankers who did substantially all of the banking business in Western Europe during the 17th century and before.

How did the goldsmiths get into the banking business? It became customary for people who had gold to deposit it with the goldsmiths for safekeeping. The goldsmith then gave the depositor a "claim check" or a receipt for his gold. In time these receipts became transferable. Anyone having possession of a receipt was supposed to be able to go to the goldsmith and claim the gold. What actually happened was that these receipts for gold began circulating as money. People learned that they could carry on trade and commerce by passing goldsmith's receipts from hand to hand without ever drawing out the gold. This led the goldsmiths to a discovery which has been the principle of banking ever since—"fractional reserves."

What is the "fractional reserve" method of banking? Few people who held the goldsmith's receipts came in to claim their gold. As the goldsmiths realized this, they also realized that they could make loans of the gold which had been left in their safekeeping. That is, they could write out receipts for gold to borrowers who, in fact, were not depositing new gold but borrowing the ownership of gold already in the goldsmith's possession. This gold—actually the certificates of ownership—being lent by the goldsmith was not his to lend. He did not own it. But so long as the calls for gold by the original depositors were so infrequent, the goldsmith felt he could lend without undue risk and earn interest on a certain portion of the deposited gold.

In other words, the goldsmith wrote receipts for people who were not depositing gold. These receipts, too, circulated as money. So receipts for more gold than the goldsmith actually had in his vaults were circulating. The goldsmith had only a fraction of the amount of gold needed to meet the claims against him. This is the fractional reserve system. In the same way when the banks of the United States kept their reserves in gold, their reserves amounted to only a small fraction of the amount of money they issued, all of which was guaranteed to be redeemable in gold.

What are the advantages of the "fractional reserve" system? In the goldsmith period of banking, most Western European governments neglected to provide adequate monetary systems. Frequently, the government controlled the coins, and nothing more. Since this was a period of economic expansion, with the New World being explored and settled, more money was needed than the government provided. The main advantage of the fractional reserve system, as the goldsmith bankers practiced it, was that of a source of money for enterprises which the goldsmith bankers considered reasonably safe and sound.

What are the dangers of the "fractional reserve" system?

Under the goldsmith system, the money supply could balloon with the needs for money but the balloon could collapse for reasons that had nothing to do with business' need for money.

This is because the goldsmith banker was at all times "playing the odds," gambling that not all his receipts, or even a high proportion of his receipts, would be presented in demand for gold at the same time. If this did happen, he could not, of course, honor the claims on him —because he could not make quick collections from the people to whom he had lent money. The whole structure would collapse. His money, i. e., receipts, would become worthless; individual savings, the deposits of gold which he held, would be wiped out; healthy business enterprises would be forced into bankruptcy, when money they had accepted in good faith became valueless; and the whole economic life of the community would, for a time, be paralyzed.

Since most people who accepted the goldsmith's money —except for the more knowing—believed that the goldsmith had enough gold to pay off his receipts, 100 cents to the dollar, the mere suspicion that the goldsmith did not have enough gold was enough to start a "run" on the bank and the very collapse which was feared. At one time, a banker of Amsterdam, an important center of European goldsmith banking, proposed a law making it a hanging offense to start a run on a goldsmith. This immediately produced just such a run. Of course, the goldsmith could not pay. The customers ended up hanging the goldsmith.

This kind of disaster was not the only shortcoming of the goldsmith system. A serious problem was posed because the goldsmith's money—his receipts—was usually acceptable only in the locality where he himself was known. Businessmen and traders who wanted to make large transactions in foreign commerce or between regions often made large withdrawals of gold for this purpose. This, too,

could bring about a collapse. Like powerful bankers who came after them, some of the bigger goldsmith bankers were not free of suspicion that they deliberately precipitated depressions at times. At such times, when business firms were forced into bankruptcy, valuable assets could be bought up at bargain prices by those who possessed sufficient money—or could create it for themselves.

CHAPTER IV

FEDERAL RESERVE CREATES MONEY

Although it is a long historical step from the goldsmith bankers to the present day, the logical development is quite short. For our modern system is only a refinement of "fractional reserve" banking developed so long ago.

Broadly speaking, the modern banking system, as it exists in the United States today—it varies from country to country—is a two-layered system. At the lower layer are the commercial banks where the public's checking accounts are held. At the upper layer is the Federal Reserve System—for convenience consider it as a monetary authority or agency—which creates something called reserves that play the role in our banking system played by the gold for the goldsmiths.

What are these reserves? And how do they work as the base of a money-creating pyramid?

Well, in the first place, reserves are money, just like any other money—with one distinction. They are deposits—demand deposits—owed to the commercial banks by the Federal Reserve.

There are, then, two important types of deposits to keep in mind. Ordinary checking deposits kept by the public in commercial banks. And commercial bank deposits—reserves—on the books of the Federal Reserve.

Where do the commercial banks get these reserves? By and large, the vast bulk of the reserves are created by the Federal Reserve and credited to the account of the various commercial banks. Created by the Federal Reserve? Yes, and this should not be too much of a mystery, when the invaluable goldsmith bankers are brought back into the picture. For the Federal Reserve is the banker's bank. It is the bank which creates bankers' deposits—reserves—just as the goldsmith bankers created circulating paper money when they made a loan. When a bank borrows from the Federal Reserve, the Reserve increases the amount of the bank's reserve account with it by the amount of the loan—and new bank reserves are thereby created. (Where the Federal Reserve itself gets the money to lend or the power to create reserves is another matter, which will be discussed shortly. For the moment, simply accept the existence of a bank which can lend money to—create deposits for—the commercial banks.)

Now the first step into the money fabricating mechanism can be taken. How can an increase in the money supply come about? One way—there are others as will be seen—is to have the Federal Reserve make a loan to a commercial bank. When the Reserve does this, the commercial bank's deposit with the Federal Reserve increases, and the commercial bank is now richer. It has more money, equal to the value of the loan on deposit with the Federal Reserve. Technically, the bank's "reserve account" increases. Its reserve account deposits are "high powered" dollars for they have the power to generate a multiple expansion of money; i. e., currency plus demand deposits.

With an increase in its reserves, the bank can now increase its own lending. And the reason it can is that ours

is a "fractional reserve" system, with reserves substituting for the goldsmith's gold. When a bank's reserves increase, it can increase its lending by some amount. And these loans take the form of increased demand deposits at the commercial bank—an increase in "checkbook money." So, by an increase in reserves, the money supply can be increased.

Turn from the money supply, for the moment, back to the reserve-creating mechanism. The example of reserve creation ran in terms of a loan from the Federal Reserve to the commercial bank. A most important one is by the purchase of securities—specifically U. S. Government securities.

This is what happens: When the Federal Reserve buys, say, $1 million of government securities from a non bank bond dealer, it gives the bond dealer a check in the amount of $1 million, drawn on the Federal Reserve. The bond dealer will deposit this check with his bank. The bank will credit the dealer's checking account with $1 million and, at the same time, send the check in to the Federal Reserve, where this bank's reserve account will be credited with $1 million. (Again, how the Federal Reserve obtained the $1 million is for later discussion.) Reserves have increased by $1 million through the securities purchase by the Federal Reserve.

Now let us return to the question of how the money supply increases *after* the Federal Reserve has created new bank reserves.

For the sake of simplicity, it is useful to make a most unrealistic assumption at this stage. Assume there is only one commercial bank in the United States, and that all the commercial banks in existence are actually only branch offices of it. (This assumption will be scrapped quickly enough.) This one bank can increase the money supply by making a loan, i.e., creating a demand deposit. It can also increase the money supply by purchasing a security.

For when it purchases a security from Mr. Smith, this time it writes out a check to Mr. Smith for the value of the purchase. And Mr. Smith? He deposits the check, in the one big bank, which now credits the Smith checking account. Where did the bank get the money for the purchase? Nowhere. It created the money just as it did for the loan. That is, no other deposit was drawn down for the purchase and Mr. Smith's deposit increased. This is the second of the two basic ways—loans or investments—a bank can increase the money supply.

Well, since the bank makes its profit from the interest it receives from its loans and investments, why doesn't the bank simply create an infinite amount of money—making every loan it can place and gobbling up all legitimate securities offered? One reason is that the bank must plan for the possibility that a sizable fraction of its deposit liabilities will be cashed in some day. This limits the deposit-creating process because the bank cannot create ten times as much in deposits as it has in cash reserves if the fraction that may be cashed in is 1/9. Additionally in our economy no bank is allowed to do this. For if it were allowed, there would then be no limit to the money supply, and a vital control over our economic system would be rendered useless.

In our money system the Federal Reserve exercises control, by setting a limit to the amount of money the bank can create, a limit that prevails until the Federal Reserve authorities decide on an increase or decrease. There are certain rules of the game written into the law, but the Federal Reserve has authority to modify the rules from day to day—within broad limits—as it sees fit.

Under the basic rules laid down by the Federal Reserve System, the bank may create several dollars of bank deposits for each dollar of the reserves which are at the moment credited to its account on the books of the Federal Reserve. Let us illustrate what this means with some simple arithmetic.

Say that the Federal Reserve has credited a bank with $5 of reserve. And suppose the bank is permitted to create $10 of deposits for each dollar of reserves.

This would mean that the bank (which, we assume, is the only bank in the country) can now create bank deposits (by making loans and investments) up to the point that deposits reach $50. At this point, the bank could make no more loans or investments—except, of course, to replace previous loans being paid off or to replace securities being sold. Under the rules, the Federal Reserve can impose a fine on the bank if it goes beyond its allotted amount.

This is how the money supply could be increased if there were a single bank: the Federal Reserve would increase the reserves of the bank, and the bank, having to have only a fraction of its deposits covered by reserves, would increase its deposits by the amount permitted. Now, the one big bank assumption can be dropped and an important refinement added. The discussion of the single bank used the phrase "creating several dollars of bank deposits for each dollar of reserves." This is a perfectly acceptable statement when dealing with the fictional single bank system. But it covers up a somewhat complicated process that takes place in the actual world of numerous banks.

Consider the bank around the corner. Assume it has just borrowed some money from the Federal Reserve—$1,000—or sold a $1,000 security to it. Either way its reserves increase. But the corner bank does not rush out and increase its loans and investments by some multiple of the reserve increase, as the single bank would. Why not?

Here is the refinement. The Federal Reserve limits bank lending by saying that the local bank and, for practical purposes, all commercial banks, must keep a certain per cent of their outstanding deposits—"checkbook money"

held at the bank—in a reserve account at the Federal Reserve bank. Say the limit is 10 per cent. And, say, your local bank merely lent out only the increase in reserves —$1,000—to some merchant. As the merchant used the money to pay wages and bills for merchandise, checks would be going to people who bank elsewhere, out of the neighborhood, and out of the state. When the recipients of these checks deposited them, their own banks would send them to the local bank for collection. How does the local bank pay these other banks? By transferring money out of the reserve account with the Federal Reserve into the reserve accounts of the other banks. In other words, banks pay one another by shifting funds from their own deposits—their deposits at the banks' bank, the Federal Reserve.

The local bank, then, would be in a jam if it rushed out, lent $10,000 on the basis of its $1,000 of new reserves, and shortly found it had to transfer $5,000 to $6,000 of its reserves to other banks. By this process it would lose rather than gain reserves as a result of its loan from the Federal Reserve.

Roughly, what actually happens is that the local bank has some idea, after years of experience, about the percentage of a loan (or a security purchase) which will ultimately wind up at other banks. Say the percentage is 90 per cent. Then, with a $1,000 increase in reserves, the bank could lend approximately $1,100. After the drain of reserves and the loss of 90 per cent of the newly created demand deposits to other banks the local bank would have approximately $11 in reserves against $110 of deposits which remained at the bank. It could lend no more.

But the local bank has created $1,100 in money—now scattered throughout the commercial banking system. Further, it had fed about $990 into the reserve accounts of other banks who would proceed to lend against their new reserves. They would each go through the same process as the local bank, finally emerging with deposits increased

by ten times whatever the amount of the new reserves they managed to cling to. Eventually, the process would end as the voyaging reserves grew smaller and smaller with each round. In the end total deposits throughout the banking system would increase by $10,000 and the $1,000 in reserves would be finally distributed. In this fashion, the banking system as a whole does what no bank can normally do: create the multiple expansion of money permitted by a given increase in reserves.

This is the money-making mechanism in a nutshell. But there is still one mystery left to unlock. Where does the Federal Reserve get the money with which to create bank reserves? Answer: It doesn't "get" the money, it creates it. When the Federal Reserve writes a check for a Government bond it does exactly what any bank does, it creates money. The only difference is that the Federal Reserve's check ends up as an increase in reserves for the banking system—an increase in bank deposits with the Federal Reserve—as well as an increase in some private bondholder's checking account at his commercial bank. A Federal Reserve purchase creates two increases in deposits at once—a bank's deposit with the Federal Reserve, and a deposit with a private commercial bank.

Unlike the commercial bank, the Federal Reserve does not have any money of its own to be deposited somewhere else on the basis of which it makes its loans or security purchases. It creates money purely and simply by writing a check. And if the recipient of the check wants cash, then the Federal Reserve can oblige him by printing the cash—Federal Reserve Notes—which the check receiver's commercial bank can then hand over to him. The Federal Reserve, in short, is a total money-making machine. It can print money, if that is what is demanded, or issue checks. It never has a problem of making checks "good," because, of course, it can itself print the $5 and $10 bills necessary to cover the checks.

Obviously, this power to create and print money could

be given to the Federal Reserve only by Congress. This is the case: The Federal Reserve System is an agency of Congress authorized to create money.

All of the examples were illustrations of the manufacture of money. But the banking system can also destroy money. The process is the exact reverse of money creation. When a bank repays a loan to the Federal Reserve, it writes a check to the System which "collects" the check by deducting the amount of money from the bank's deposit with the Federal Reserve. The bank's reserves are then decreased and the bank must begin contracting deposits —calling in loans or selling investments—to get back within the permitted deposit limit for its shrunken reserves. And the calling of loans or selling of investments will start a deposit contraction process, the reverse image of the expansion process described earlier.

Or the Federal Reserve can sell a security, say, to Mr. Smith, who writes a check to the Reserve in payment. The System collects from Mr. Smith's bank by deducting the amount of the check from the bank's deposit it is holding. Here again is the reduction in reserves. In turn, Mr. Smith's bank deducts the amount of the check from his deposit. Here again is the first step in the multiple contraction of deposits.

Perhaps it is now clear why the banking system was called a two-layer system earlier in the chapter. Expansion or contraction of the money supply occurs first, through a change in reserves which the commercial banks hold, and, second, by the commercial banks responding to their changed reserve situation by changing the amount of "checkbook" money outstanding.

With a two-part system, the Federal Reserve can change the money supply by operating on any one of the two layers. For example, it can increase reserves. Alternately, it can leave reserves unchanged, but can decrease the amount of reserves required to be held against each

dollar of demand deposit outstanding. With the "reserve requirement" decreased, the unchanged level of reserves can support a larger stock of "checkbook money," and the banks will proceed to employ their "excess" reserves by making new loans and investments.

When the Federal Reserve buys government securities, it pays for them by giving some bank or banks credit on their reserve accounts. The banks may take these credits in cash—that is, Federal Reserve Notes—at any time they care to do so.

The amount of Federal Reserve Notes which the Federal Reserve has issued and has outstanding is approximately equal to the amount of government securities it owns. On January 13, 1964, the Federal Reserve had $33.9 billion in Federal Reserve Notes outstanding which had been used for its $32.8 billion of government securities, plus some part of the gold which the Treasury has acquired. In addition there was $17.5 billion in bank reserves on the books of the Federal Reserve banks which the banks can convert to Federal Reserve Notes if they care to. In other words, by buying government securities, the Federal Reserve System has, in the long run, exchanged a non-interest-bearing obligation of the government (a Federal Reserve Note) for an interest-bearing obligation of the government (a government bond or other interest-bearing security).

On January 31, 1964, all commercial banks in the country owned $62.7 billion in U. S. Government securities. The banks have acquired these securities with bank-created money. In other words, the banks have used the federal government's power to create money without charge to lend $62.7 billion to the government at interest.

However, it is not possible to say what part of the total amount of the money the commercial banks have created has been used to acquire government securities. After a bank creates the money to buy a government security, it

may then sell the security and use the money to acquire a non-government security or to make loans to its customers.

On January 29, 1964, commercial banks had total assets amounting to $304.7 billion, and all of these had been paid for with bank-created money, except $25.4 billion which had been paid for with their stockholders' capital. In other words, less than 10 per cent of the banks' assets have been acquired with money invested by stockholders in the bank. Congressmen who voted for the Federal Reserve Act committed treason against their country; Congressmen who still allow it to exist are equally guilty.

When the government needs $1 billion, action is taken as follows: (1) The U. S. Treasurer advises the Federal Reserve Bank; (2) The U. S. Treasurer advises the Bureau of Engraving and Printing to print $1 billion U. S. bonds; (3) Federal Reserve Bank advises Bureau of Engraving and Printing to print $1 billion Federal Reserve Notes; the Federal Reserve Bank pays the cost of the ink and paper, approximately $1 million; (4) The Federal Reserve Bank SWAPS the Federal Reserve Notes for the U. S. bonds.

In accordance with the 1935 Bank Act, the Federal Reserve Bank can deposit $1 billion U. S. bonds with the Comptroller of Currency and secure $1 billion U. S. currency. The interest on the U. S. bonds is payable to the Federal Reserve bankers. The Federal Reserve bankers have learned an even greater swindle. They can legally hoard the $1 billion currency in their vaults and *issue* $10 billion "checkbook" currency every time they make a loan or an investment. Much more can be lent under their fractional reserve system. In simpler terms, the Federal Reserve paid $1 million, for which they received $1 billion U. S. bonds, plus $30 million interest annually on the bonds, plus $600 million interest annually on loans to customers.

If the government can issue bonds, why can't it issue money and save the interest? A few clearheaded and firm individuals, such as Abraham Lincoln, have insisted that the government can.

The late Thomas A. Edison once stated the matter this way:

> If our Nation can issue a dollar bond it can issue a dollar bill. The element that makes the bond good makes the bill good also. The difference between the bond and the bill is that the bond lets money brokers collect twice the amount of the bond and an additional 20 per cent, whereas the currency pays nobody but those who contribute directly in some useful way. It is absurd to say that our country can issue $30 million in bonds and not $30 million in currency. Both are promises to pay: But one promise fattens the usurers, and the other helps the people.

To a small extent the government does issue money, to buy back the bonds it has already issued, through the Federal Reserve System. However, it has long been one of the political facts of life that private banks must be allowed to create the lion's share of the money, if not all of the money. Thus there is little opposition to the government's printing bonds and then permitting the banks to create the money with which to buy these bonds; but proposals that the government itself create the money instead of the bonds have always set off tremendous political upheavals. Bankers are politically very powerful, even in wartime. For example, Abraham Lincoln set off a political furor when he insisted upon having the government issue $346 million in money (the so-called greenbacks) instead of issuing interest-bearing bonds and paying interest on the money.

Abraham Lincoln's administration issued a total of $450 million in "greenbacks," or "U. S. Notes," as it was authorized to do by an act of February 25, 1862. If instead of issuing "greenbacks," the Lincoln administration had

issued interest-bearing bonds, as urged, naturally these bonds would still be a part of the Federal debt today. It is a fallacy to think, as many do, that the "greenbacks" were inflationary. In the only sense that matters, the relative or comparative sense, they were not. That is, $450 million in "greenbacks" is no more or less inflationary than $450 million in bank deposits or any other bank money created to pay for $450 million in interest-bearing bonds.

Once again, it is no less inflationary for the private banks to create $1 billion of new money to buy $1 billion of bonds than it is for the government to create $1 billion of new money. Furthermore, the Federal Reserve System decided in any case the total amount of money to be created, and this is what determines whether we have inflation.

CHAPTER V

WHO OWNS THE FEDERAL RESERVE BANKS?

In recent years, certain misconceptions and conflicts about who owns the Federal Reserve banks have developed. The reason is that when the Federal Reserve was established, it was felt that the proper way to organize it was on a capital stock basis. But the "stock" which emerged in the Federal Reserve Act was not stock in the ordinary meaning of that term at all. So recent years have been marked by a conflict between private bankers and public officials, each claiming ownership of the banks.

The private bankers actually advertise that they own the Federal Reserve banks. The American Bankers Association textbook, *Money and Banking,* puts it boldly on page 234: "The member banks own the 12 Federal Reserve banks." *Money and Banking* is widely used in courses for bankers sponsored by the American Bankers Association, which are attended by staff members of private banks, and other students of banking—including employees of Federal Reserve banks.

What is the position taken by Federal Reserve officials? As a rule, Federal Reserve officials do not share this misconception about ownership of the Federal Reserve banks.

In a letter to Rep. Wright Patman dated April 18, 1941, Marriner S. Eccles, Chairman of the Board of Governors, stated:

> This so-called stock ownership, however, is more in the nature of an enforced subscription to the capital of the Federal Reserve banks than an ownership in the usual sense. The stock cannot be sold, transferred, or hypothecated, nor can it be voted in accordance with the par value of the shares held. Thus, the smallest member bank has an equal vote with the largest. Member banks have no right to participate in earnings above the statutory dividend, and upon liquidation any funds remaining after retirement of the stock revert to the government.

In hearings before the Banking and Currency Committee of the House of Representatives, June 17 and 19, 1942, Mr. Eccles stated (pp. 25, 26):

"Well, the government, in effect, for all practical purposes, owns the Federal Reserve banks."

The viewpoint of the present Chairman of the Board of Governors, Mr. William McChesney Martin, is indicated by the following quotations from hearings before the Subcommittee on Economic Stabilization of the Joint Economic Committee in 1956:

> The Chairman (Mr. Patman): All right. No. 2 is that the banks own the Federal Reserve Banking System, and it is run by the bankers; it is operated for their benefit. That is a fallacy, is it not?
>
> Mr. Martin: That is a fallacy.
>
> The Chairman: That stock, or that word "stock" is a misnomer, is it not?
>
> Mr. Martin: If you are talking about stock in terms of proprietorship, ownership—yes.
>
> The Chairman: Well, of course, that is what stock is; yes. Normally, that is what stock is; when you

say "stock," you mean a proprietary interest of some kind, do you not?

Mr. Martin: In the ordinary sense, yes.

The Chairman: That is right, in the ordinary sense.

Mr. Martin: You and I are in agreement that it is not proprietary interest.

The Chairman: Yes. Therefore, this does not convey any proprietary interest at all, and the word "stock" is a misnomer. It is not a correct word at all. It is just an involuntary assessment that has been made on the banks as long as they are members. Therefore, the statement that the banks own the Federal Reserve System is not a correct statement, is it?

Mr. Martin: The banks do not own the Federal Reserve System.

Mr. M. S. Szymczak, member of the Board of Governors, in hearings before the House Small Business Committee on problems of small business financing, April, 1958, is quoted as follows:

The Chairman (Mr. Patman): Do you agree with Mr. Martin that the member banks do not own the Federal Reserve banks, and have no claim to their assets or income other than the interest payments on the so-called stock which the member banks are required to subscribe to the Federal Reserve banks?

Mr. Szymczak: That is correct.

Testimony of Mr. J. L. Robertson, member of the Board of Governors, before the House Small Business Committee on problems of small business financing, April, 1959, reveals the following:

Mr. Robertson: I think you could operate the Federal Reserve System without the member banks having stock in the Federal Reserve banks.

Testimony of Mr. Charles N. Shepardson, member of the Board of Governors, at the same hearings reveals the following:

> Mr. Shepardson: . . . . I think we have never contended that the central bank, the Federal Reserve System, is owned by the commercial banks. On the contrary, we have taken every occasion in my knowledge to disabuse that idea. I don't contend that at all.

The position of the Federal Reserve officials thus seems to be clear: the Federal Reserve banks are NOT owned by the commercial banks.

The viewpoints of the individuals quoted above have also been borne out by the presidents of the Federal Reserve banks in hearings before the House Banking and Currency Committee. However, officials of the Federal Reserve banks are sometimes inclined to take the opposite position. Does this arise from the fact that they are elected by a private bank-dominated board of directors and often are themselves ex-bankers? For example, the Federal Reserve Bank of Chicago justified expenditures not appropriate to public funds on the basis that other private businesses do the same thing—ignoring the fact that the Federal Reserve bank is a public, not a private, institution.

Among academic economists there seems to be a difference of opinion. Some economists hold that the banks own the Federal Reserve banks, while others agree with Federal Reserve and other public officials who maintain that the Federal Reserve banks are public organizations, not owned by the banks. Here are some quotations from college textbooks which show the general variety of opinion among college professors:

> . . . . In reality, no stock of the Federal Reserve banks has been sold to either the public or the government, and even the member banks have paid in only half of their subscriptions. Thus, the Federal Reserve banks are owned wholly by their member

banks, each member bank having paid in to its Federal Reserve bank an amount equal to 3 per cent of its own paid-up capital and surplus (source: *The Economics of Money and Banking,* revised edition, by Lester V. Chandler, 1953, pp. 282, 283).

Although Federal Reserve banks are public institutions, their stock is held by the member banks (source: *Banking System,* edited by Benjamin H. Beckhart, 1954, p. 803).

The position of the Federal Reserve banks is even harder to state precisely. They were described generally as an "instrumentality" of the government. In a joint statement by the presidents of the 12 Federal Reserve banks they were said to be "part of the private economy and * * * part of the functioning of the government (although not technically a part of the government)." It was further stated that they were intended to be "allied to the government but not * * * part of the government itself." Allen Sproul, president of the New York Federal Reserve Bank, summed up by saying that the banks "should function somewhere between private enterprise and the government." (source: *Principles and Practices of Money and Banking,* by Charles R. Whittlesey, 1954, pp. 244, 245).

President Woodrow Wilson asked the 63rd Congress for an elastic note issue and a decentralization of banking. He said, "Control * * * must be public, not private, must be vested in the government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative." (source: *Money and Banking,* by the Committee on Money and Banking, Pitman Publishing Co., 1957).

" * * * The member banks purchase stock in and therefore own the Federal Reserve banks of their own district." (source: *Our Modern Banking and Monetary System,* by Rollin G. Thomas, 1957, p. 245).

These quotes illustrate the disagreement and confusion which exists on the matter of Federal Reserve ownership.

What is the cause of this misunderstanding and disagreement? The root of the trouble is the "stock" in the Federal Reserve banks which the member banks hold. The original act required that the banks invest 6 per cent of their capital stock in the Federal Reserve banks.

Why was the Federal Reserve Act written to require member banks to invest in the so-called stock of the Federal Reserve banks? The framers of the Federal Reserve Act gave many reasons, but the main reason was this: It was expected that the Federal Reserve would issue money, not mainly against government securities as is now the practice, but against commercial and industrial loan paper —"eligible paper" as the reader knows.

This meant that the member banks would be exchanging obligations of individual commercial firms, farmers, and so on, for obligations of the U. S. Government—Federal Reserve Notes. This exchange, of what might be rather risky obligations for the riskless obligations of the government, was the reason for the "stock ownership" requirement. This is why: the 12 separate Federal Reserve banks were to issue the Federal Reserve Notes, with each bank passing on the quality of the loans which it would accept from the member banks in exchange for notes. Furthermore, the administration of these banks was to be under the control of the member banks themselves, as is the case today. This meant that there was a possibility that the member banks could pass on doubtful loans made to their customers to the regional Federal Reserve bank, receiving cash in exchange. And if the Federal Reserve banks were overstocked with private promissory notes, the System's stability was threatened. So the government would lose by exchanging Federal Reserve Notes for risky notes of the banks' customers, and in addition could lose whatever of its general funds it had on deposit with the Federal Reserve banks. (It was expected that these banks would be the principal depositories of Treasury funds.)

It was in view of these considerations that Congress, in

framing the Federal Reserve Act in 1913, required member banks of the Federal Reserve System to put a certain percentage of their capital into the "stock" of the Federal Reserve banks; this "stock" was a safeguard against a misuse of the Government's credit which was being delegated to these banks. The 1913 Act placed on the member banks, furthermore, a "double liability" for their "stock" in the Federal Reserve banks. In other words, if a Federal Reserve bank failed, the member banks would lose not only their invested capital, but an equal amount of capital which they would also forfeit.

Thus, the report of the Senate Committee on Banking and Currency explaining the Federal Reserve bill had this to say:

> The reasons for requiring the banks to subscribe to this stock with a double liability are—
>
> First. To protect the large deposits of general funds which the United States will probably place with such banks.
>
> Second. To protect the United States against the extension of credit through the Federal Reserve Notes, the obligations of the United States loaned to the Federal Reserve banks against commercial bills.

Today, the need for this safeguard has disappeared. When the Federal Reserve System began operations, it did in fact issue money against commercial loan paper, and this was its principal way of creating money from 1914 to 1921. But since then eligible paper has played so small a part in Federal Reserve credit as to be practically non-existent; in November 1963, the collateral which the Federal Reserve banks held against outstanding Federal Reserve Notes was $34,670 million. Less than 0.5 per cent of this collateral is "eligible paper," the other 99.5 per cent being U. S. Government securities and gold certificates.

An additional reason for requiring the member banks to invest some of their capital in the Federal Reserve banks was given by the members of the Senate Committee on Banking and Currency who recommended the agreement:

> To justify the government in putting on the banks the prime responsibility of administering these banks and safeguarding their own reserves and their own capital stock, and making them responsible to the country for safeguarding the welfare of the national banking system, protecting the national gold supply under the safeguard of governmental supervision.

But an equal number of members of the Senate Committee on Banking and Currency felt that stock in the Federal Reserve banks should be sold to the general public, not to the banks—as a means of drawing more capital into the banking system of the country. This way, they felt, "tens of thousands of our people will be directly interested in this great government-controlled banking system." This group also felt, as they stated in the committee's report:

> It has seemed to us, moreover, wise that upon these Reserve banks the government should have a majority of the Board of Directors.

At that time, the amount of capital in the banking system of the United States was generally considered to be small, and both schools of thought in Congress recognized the lack of public confidence in the banking system, which encouraged people to hold money in cash, rather than in banks. The Senate committee report said that an important result of setting up the improved system of banking would be—

> * * * increased public confidence in the banks and which would attract a considerable amount of money which is not now deposited in banks at all and would thus enlarge the deposits of the bank and enlarge substantially their money-creating power.

Finally, both groups in the Senate committee recognized that the 6 per cent interest rate to be paid on the Federal Reserve bank stock was extremely attractive and would provide a subsidy to entice private banks to join the System. Those recommending banker control of the Federal Reserve banks said that this so-called stock would prove irresistible to banks:

> * * * earning 6 per cent net, free from tax, making the earning on such stock between 7 and 8 per cent, which is a higher return than a bank can possibly average upon its deposits.

But, the group favoring public ownership of the stock pointed out that the stock could be sold to the public at a rate of 5 per cent, and if offered to small investors, tax free, it would be a "* * * highly desirable 5 per cent investment, which they will eagerly take."

What is the nature of this "stock"? Hearings before various congressional committees have established clearly that this stock is not stock in the ordinary meaning of the term.

(1) It carries no proprietary interest. In this respect, the stock is unlike the stock of any private corporation.

(2) It cannot be sold or pledged for loans. It thus does not represent an ownership claim.

(3) In the event of the dissolution of the Federal Reserve banks, the net assets after payment of the liabilities and repayment of the stock go to the U. S. Treasury rather than the private banks.

(4) The stock does not carry the ordinary voting rights of stock. The method of electing officers of the Federal Reserve banks is in no way connected to the amount of stock ownership. Instead, each bank in a district has one vote within its class, regardless of its stock-ownership.

What are the problems created by this stock-ownership?

(1) The major problem is that it leads to misconceptions about the ownership and nature of the Federal Reserve banks. Private bankers are, as was indicated above, led to believe that they own the Federal Reserve and thus have the right to control it and to share in its profits. (2) Some Federal Reserve officials have been led to believe that the funds of their banks are not public funds but funds that the officials may spend as they see fit. This argument has been used to justify spending funds of Federal Reserve banks in a manner not suited to public funds: for scholarships to employees, for Christmas gratuities to various people who are not employees of the banks, for boating trips, and for extravagances of officers of the banks. (3) The stock is an additional cost to the taxpayers, and a subsidy to private banks. Dividends on the stock run to almost $24 million a year; except for the tax paid on them, much dividends represent a net loss to the taxpayers. If the stock did not exist the money which goes as interest would go to the taxpayers.

How can these problems be eliminated? The logical way is to eliminate their cause: the stock. At present there is a bill before the Congress, introduced by Rep. Wright Patman, Chairman of the Committee on Banking and Currency, which would have the banks return this stock to the Federal Reserve banks and have the Reserve banks pay it off.

Could the Federal Reserve operate without this stock? Yes. Although the stock was necessary in 1914, today it serves no worthwhile purpose. The statement of Board Member Robertson, quoted above, indicates that the Federal Reserve could operate just as well without the stock. This point has been well established in hearings.

Would elimination of the stock ownership change the basic structure of the Federal Reserve? The same method of electing boards of the Federal Reserve banks, the same requirements for membership in the Federal Reserve System, and the same organizational structure of the Federal

Reserve banks could be maintained. The same check clearing other relationships between private member banks and the Federal Reserve could exist. There is no reason to believe that the basic structure of the Federal Reserve System would be changed simply because the stock were retired, though there are many reasons for altering the System's structure.

Is there any reasonable justification for this stock? No. The stock has been justified on the grounds that it is traditional. Members of Congress have indicated, and rightfully, that it is their duty to change those traditions which are harmful to the nation. It has been justified as being a symbol, though it is not clear just what the stock is symbolic of. Nor has it been established that this symbol could not be maintained in another less expensive form, such as a membership certificate. Other psychological factors are supposed to be maintained by this stock ownership. These factors are largely in the realm of mysticism.

No sound reason has been given for keeping this stock. The banks, of course, oppose elimination of the stock because it represents a generous gift from the taxpayers which they do not wish to give up.

Does the Federal Reserve need the money? No. The Federal Reserve is a money-creating system. It can write a check whenever it needs money. Thus the government is paying interest to the bankers on funds which it does not need.

CHAPTER VI

WHY WAS THE FEDERAL DEPOSIT INSURANCE ACT PASSED?

For 18 years after the Federal Reserve Act was passed, no basic changes were made in our banking laws. This was not because the banking system had no problems. On the contrary, the problems it had were ignored until the holocaust of the great depression faced the nation with the brutal cost of years of neglect. The seemingly trouble-free system simply broke down in 1932-33. Widespread runs on the banks during this period became commonplace. When President Roosevelt took office in 1933, one of his first acts was to declare a bank holiday, closing the banks in an attempt to halt the runs and shore up, if at all possible, the collapsing structure.

The fatal flaw in the system developed in the late 1920's. During this period the banking system unwittingly transformed itself into a huge credit plant directly supplying the essential ingredient sustaining a crazily inflating stock market. The banks created money by making loans to brokers. And the brokers' loans were so important that they became a prime source of the money supply.

These brokers' loans were based on collateral in the form of the stocks acquired by the loans. But since mil-

lions of people were wildly speculating in stocks and raising their prices skyward, the value of the collateral was highly volatile and unsound. Nevertheless, brokers' loans grew from $2 billion to over $8 billion during the boom. As someone put it, the market discounted not only the future, but the hereafter. When the inevitable crash came, and many sensible people, including some Federal Reserve officials, had foreseen it, brokers' loans were called; $4 billion in only four months, and within the next three years an additional $4 billion had been called. Largely because of this, the nation's total money supply decreased by about $8 billion, or one-third, between 1929 and 1933. Such a reduction in the money supply could not help but magnify if not initiate any crash in prices and output—and it did.

The unprecedented reductions in output and prices, in turn, weakened the banks to the point of bankruptcy. Many banks, sound before the crash, were in bankruptcy in the following years. The number of commercial banks in the United States declined drastically, falling from 26,401 in 1928 to 14,771 in 1933.

The bank holiday was seized on by President Roosevelt as an opportunity for action. The Emergency Banking Act of 1933, pushed through the entire legislative process in a single day, marked the start of efforts to solve the problems of the banking system. It provided that all banks would be checked; sound banks would reopen, unsound banks would remain closed. This in itself restored a degree of confidence in the banking system, and the runs on banks were largely stopped. But, it was felt, major steps to correct the situation were still required. The result was the establishment of the Federal Deposit Insurance Corporation.

But many changes of importance, other than creation of the Federal Deposit Insurance Corporation, were made in 1933, 1934, and 1935. Some, like the Emergency Banking Act mentioned above, were of a temporary, stopgap

nature, but others were permanent, with lasting effects on the banking system of the country.

Most important was the establishment of a temporary deposit insurance plan which went into effect on January 1, 1934. This plan was made permanent and took its present form in the Banking Act of 1935. Other major changes were made by the 1933 act:

(1) To prevent cutthroat competition for demand deposits, the act provided that commercial banks should no longer pay interest on their demand deposits. This was desirable from the standpoint of the banks because it reduced their costs. Although it was designed merely as a temporary measure, this provision still remains in the lawbooks.

(2) The Federal Reserve Board was given power to change the reserve requirements of member banks, subject to approval by the President. This, too, was changed by the 1935 act, which provided that the Board of Governors alone, by majority vote, could change reserve requirements, within limits set by the law.

(3) The 1933 act also prohibited commercial banks from making stock market loans, and investment banks from accepting public deposits. This was an effort to prevent a wave of stock market speculation like that of the twenties by keeping commercial banking and investment banking separate and distinct.

The Securities and Exchange Act of 1934 put various restrictions on stocks offered for sale, and established the Securities and Exchange Commission to police them. From the standpoint of monetary controls, however, perhaps the act's most important aspect was the provision giving the Federal Reserve Board power to set the cash down payment required on stock market purchases.

Some of the changes made by the Banking Act of 1935 have already been discussed: the Federal Deposit Insur-

ance Corporation was made permanent, and the Board of Governors was given power to change reserve requirements. The act of 1935 had other important provisions:

(1) The Board of Governors of the Federal Reserve System was changed. Membership no longer included the Secretary of the Treasury and the Comptroller of the Currency, and the number of members was cut from nine to seven. The Federal Reserve Board name was changed to the Board of Governors of the Federal Reserve System. The reorganized Board with its increased powers really gave us a central bank for the first time, in place of a system of individual Federal Reserve banks which were largely on their own.

(2) Also of primary importance in creating a true central bank was the establishment of the Federal Open Market Committee to determine purchases and sales of government securities for the entire System.

(3) Another change made by the 1935 act related to loans of the Federal Reserve banks. This act allowed the Federal Reserve banks to extend reserve bank credit on any type of credit which the commercial bank possessed.

(4) The 1935 act also contained provisions concerning regulation of bank holding companies.

The Federal Deposit Insurance Corporation—the FDIC—is a government corporation set up to provide depositors of funds in commercial banks insurance against loss of such deposits in the event of failure of the bank, to the extent of $15,000 for each depositor. Deposit insurance was set up on a temporary basis by the Banking Act of 1933 and was made permanent by the Banking Act of 1935. Such insurance, it was hoped, would prevent the recurrence of serious runs on banks.

A bank is insured when it complies with the rules and regulations laid down by the FDIC and becomes a member of FDIC. In selecting members, the law requires FDIC

to consider the adequacy of the bank's capital structure, its earning prospects, and the general character of its management. At the end of 1962, 13,455 banks were members while only a few hundred small banks had not joined the FDIC.

When a bank becomes a member of the FDIC each individual deposit in that bank is insured up to $15,000. This insurance is much like your life insurance policy, or the fire insurance that guarantees to pay you if certain events occur. Here the "event" is a bank failure. On December 31, 1962, $179 billion of deposits were insured.

If an insured bank fails, the depositors receive the full amount of their deposits, up to the maximum of $15,000, usually within ten days to two weeks. If the FDIC desires, it may set up a new bank in the community. Then depositors in the bank which has gone broke are given the option of taking their money as deposits in this new bank.

Since 1933, 445 insured banks have failed, as of December 31, 1962. Total deposits of these banks were about $600 million. Slightly more than 5,000 depositors with accounts over $10,000 lost any money, and these losses were small.

The FDIC has two main sources of money: assessments on insured banks and interest on U. S. Government securities it holds. Each accounts for roughly half of the corporation's income.

How did the FDIC get the money to start business? The Treasury purchased $150 million of stock and the Federal Reserve, on the instructions of Congress, bought $139 million of stock. This stock was repaid by the FDIC in 1947 and 1948—but at only 2 per cent simple interest. It should have paid compound interest.

Insured banks are required to pay FDIC a gross assessment of one-twelfth of 1 per cent of their total deposits.

This assessment is similar to the premium paid on a life insurance policy.

The gross rate of assessment has remained the same, but since 1950 the FDIC has been allowed to give back more than half of the total assessment. The FDIC has actually returned approximately $1.2 billion—over 57 per cent of the gross assessments—to the banks since 1950.

The law giving the money back to the banks was steered through the 80th "do nothing" Congress by Rep. Jesse P. Wolcott. The Eisenhower Administration rewarded him by making him Chairman of the Board of Directors of the FDIC.

The FDIC is subsidized by the federal government. Although it paid back the original $289 million of stock, several subsidies still remain. The fact that the FDIC gets almost half of its total income from government securities represents a sizable subsidy and means that the taxpayers are footing almost half the bill for this insurance.

The 1947 amendments to the FDIC Act provide that the FDIC can borrow up to $3 billion from the U. S. Treasury, at its discretion. The law directs the Secretary of the Treasury to put up this $3 billion any time the FDIC requests it.

The FDIC does not pay for this commitment. But if normal banking practices were followed, the FDIC would be required to pay the Treasury 1 per cent a year. If the FDIC were standing on its own feet, it would have to pay $30 million a year for this commitment—a total of $510 million for the past 17 years. This subsidy is over $200 million greater than the original capital stock subsidy.

It is generally agreed that if there were a wave of bank failures, the Treasury would be morally bound to stand behind the FDIC although there is no legal obligation.

Proper management of any insurance company requires

that a sizable reserve fund be maintained to provide payment in times of need. No one knows exactly how much the FDIC should keep, but it probably should keep more than the present $2.5 billion.

If we compute the reserves for each $100 of insured deposits, the FDIC now has $1.40 for every $100 of insured deposits compared with $1.84 for each $100 of insured deposits in 1934. Because the FDIC has given back over half of its assessments during the past decade, its reserve per $100 of insured deposits is now less than in 1934.

Whereas the FDIC keeps only $1.40 in reserve for each $100 of potential liabilities, private life insurance companies keep over $20 for each $100 of potential liabilities. Private life insurance companies find it desirable to keep a reserve ratio which is more than 13 times the reserve ratio kept by the FDIC. No one knows just how much the FDIC should keep, but these comparative figures indicate that it probably does not keep enough.

Under the provision of the act which allows the FDIC to see to it that banks do not engage in "unsafe and unsound practices in conducting business" and which allows it to lay down basic requirements for membership, the FDIC has come to regulate the banks rather completely, because banks need deposit insurance to hold deposits and remain in business. If banks are to perform their duty of financing business, they must take risks; the amount of risks which banks may take is greatly reduced by FDIC regulations.

To a large extent the FDIC is running the banks. By regulation and examination, the FDIC can prevent banks from investing in any investment the examiners deem undesirable. And FDIC conservatism is making it more and more difficult for small businessmen and farmers to get the financial assistance they need.

The bank examiners do not consider public welfare in

deciding whether or not loans are satisfactory. This point is made clearly by Prof. Raymond P. Kent in his textbook, *Money and Banking:*

> The regulatory authorities and examiners, so to say, are not especially interested in the justification given loans from the standpoint of public welfare and economic stability, but rather in the probabilities of their being repaid at maturity so that depositors may not be endangered by losses. The loan to Bill Smith may be adjudged "good" because he has put up adequate collateral and even though he is using the money to put out a useless patent medicine, while that granted to Jack Brown may be condemned as "unsound" because he is not a very good risk even though he is using the money to pay his son's tuition in college.

In addition to regulating insured banks through bank examinations, the FDIC controls the banking industry by refusing to let it expand. This it does by refusing to insure banks. A national bank must be insured to come into existence as must a state bank which is a member of the Federal Reserve System. For success in banking, membership in the FDIC and the Federal Reserve are highly desirable. By controlling membership, the FDIC controls the number of banks in existence.

CHAPTER VII

MONEY, DEBT AND CREDIT

Commercial banks, savings and loan associations, mutual banks, and credit unions are all valuable and necessary financial institutions in our free enterprise economy. They must be encouraged to continue to render maximum service to the people in the public interest at reasonable costs.

Commercial banks are the only type of financial institution in this country with a monopoly on checking accounts. All individuals and corporations are at least to this extent captives of the banks. This is one reason, among several, why banks should not be allowed to be in any business that competes directly or indirectly with their own customers.

Contrary to what the bankers' lobby would have us believe, banks are not properly regulated or supervised in the public interest. Examinations and supervision are confined to what is in the bank's interest—not necessarily the public interest. The three supervisory agencies—(1) the Comptroller of the Currency for national banks, (2) the Federal Reserve for state member banks, and (3) the Federal Deposit Insurance Corporation for all other in-

sured banks—do not get their operating money through Congress as the other agencies do; they get it through assessments on the banks and manipulations of the Federal Reserve System. These three agencies are not audited by the General Accounting Office as other government agencies are. No one can properly hold them accountable for misconduct that is harmful to the public. They are beyond the reach of the electorate. Only officers whose conduct and actions can be passed on by the voters, or selected by one responsible to the voters, should have such vast powers.

Banks create money on the government's credit, lend it out with interest without paying the government anything for its use.

We must continue to have a good profitable competitive banking system. The free use of the government's credit by the banks, if used in public interest, can be justified up to a point. The government should use part of its credit to finance schools, roads, highways, and other deserving projects through the Federal Reserve without interest payments. If a million dollar educational building is constructed with government funds, the school district would pay back 5 per cent a year for 20 years and the debt would be paid. This proposal would result in greatly reducing taxes in thousands of areas in the United States. Now, every time the government spends a million dollars for a worthy project, the banks are allowed to collect a million dollars in interest.

Should the people pay a $40 billion debt twice? Without audits and Congressional supervision, bad practices have developed. For instance, the Federal Reserve Bank in New York that is operated by nine directors—six of whom are elected by New York banks—have managed to acquire $40 billion in U. S. Government bonds for the 12 Federal Reserve banks. They have been paid for once by our fiscal agent, the Federal Reserve banks, which used our printed currency—Federal Reserve Notes—and gov-

ernment credit to buy them. One form of government obligation is used to buy another form of government obligation that should have been canceled since both should not remain in circulation. The New York Federal Reserve Bank continues to collect from the taxpayers over a billion and a half a year interest on these bonds that have been paid for once. This is the same as asking the home owner to pay his mortgage twice. That is the way the Federal Reserve gets its operating expenses and money to spend for everything it wants to spend money for—including over $50,000 a year to the American Bankers Association for dues, thereby making them dues-paying and card-carrying members of the most powerful lobby for special interests in the United States.

Interest charges equal the nation's tax bill. The people in our country are now paying each year about as much in interest on debt obligations as the national budget—$100 billion. So, the cost of federal government and interest payments represents two of the largest expenditures of the people. We cannot and do not desire to escape all interest payments, but a part can be saved without jeopardizing our banking system or our monetary system.

We should have independent banks locally owned and controlled with an effective correspondent banking system. We must preserve the dual banking system and prevent a few people from owning the franchise to create and use for their own benefit the government's money. There is only one possible franchise that would be better and that would be one giving the banks the right to collect the government's taxes on a 50% commission or on the halves. This cannot be tolerated in a democratic free enterprise country based upon equal opportunity for all and special privileges to none.

The trend toward fewer banks and increasing concentration in bank ownership is alarming. The accelerated efforts of Wall Street in getting more and more bank mergers to make it easier for Wall Street to acquire owner-

ship of the nation's commercial banking system is something that must be stopped if our system is to survive. Large commercial banks must not be allowed further to jeopardize the competitive structure of our financial system. Competition in this vital area must be preserved.

Public Law 89-356, passed in 1966, exempts the banks from the antitrust laws and opens the way to a massive wave of mergers leading to control of the nation's banking system by a handful of multibillion dollar banks. We are already far down the road to monopoly and concentration in banking. Today 100 out of 14,000 banks —less than 1 per cent—control 50 per cent of the nation's banking assets. Fourteen big banks have 25 per cent of the deposits. Yet we have people who are insisting that the Congress pass a bank merger bill which would grease the way to more and bigger mergers. This is a dangerous threat to every American citizen. The bank merger bill can be stopped only if the people become aroused and get their views to members of Congress. The American Bankers Association and the rest of the big banking lobby are hoping to push the bill through before the people and members of Congress get the facts.

CHAPTER VIII

DEALERS IN GOVERNMENT BONDS

As the abbreviated history of the Federal Reserve Act emphasized, a key struggle during passage of the act was over who would control the System—public or private interests. (By private interests, banking interests are meant.) The adversaries in this conflict were quite conscious of what was at stake. The compromise over control placed what was considered at that time to be the master switch governing the money supply and interest rates—the discount rate—in the hands of a totally *public* body—the Board of Governors. This was a deliberate act. President Wilson rejected the notion of diluting the public nature of the Board with his now classic statement: "Which one of you gentlemen would have me select presidents of railroads to be on the Interstate Commerce Commission to fix passenger rates and freight rates?"

The commercial bank interests, it bears repeating, were given control over the board of directors of the individual regional banks. Six of the nine directors of each regional bank board are elected by the member banks of the region. The board of directors, in turn, elects the president and first vice president of each bank for a term of

five years, subject to the approval of the Board of Governors.

The Federal Reserve Act was designed to have the decentralized System supply reserves only through the 12 independent Federal Reserve banks, by discounts or advances to member banks. At the time the act was passed no other method of extending credit was even contemplated. Because of this, the balance of power over the money supply lay securely, it was thought, with the public side of the System through the authority of the Board of Governors. But when the move toward the alternative open market technique of control was given legislative blessing by Congress in 1933 and 1935 and a full-fledged central bank thereby created, the balance shifted radically to the private, commercial banking side of the system.

When Congress authorized the Open Market Committee, and permitted it to engage in the joint purchase and sale of securities for the entire System, the prevailing assumption was that discounts and advances would continue to be the principal means of supplying reserves. It also believed that the legislation left the power arrangement of the Federal Reserve relatively untouched. The public members have a 7-to-5 majority on the Committee. Also, the selected five regional bank presidents swear an oath to protect the public interest when they become official members of the committee. (They take no such oath on becoming presidents of their respective banks.) But Congress was acting in the heart of the depression, and did not take the necessary care to see that the Committee it actually authorized accurately reflected its intentions.

What happened, in fact, was that the public body—the Board—abdicated control to the Open Market Committee. And the Open Market Committee, with five members who hold their regional bank positions through the votes of privately oriented directors, already represents a diluted public body. Further, to repeat the introduction, all 12

presidents participate in the Committee discussions and debates about the course of monetary policy. They make up part of the 19-member "discussion" Committee. They are free to influence and persuade as they see fit.

The upshot is that the institution and practices of the Open Market Committee have opened the door to the same private banking influences President Wilson was so careful to exclude. Now the private portion of the Federal Reserve System is not only well represented at the regional banks but has five-twelfths of the legal control over the money supply and an even stronger voice in the crucial decision-making process.

None of this should be taken to imply that the regional bank presidents do not conscientiously seek to reach decisions purely in the public interest. But a man's view of the public interest and of the best methods by which that interest can be furthered, as experience teaches, is inevitably colored by the environment and circumstances of his daily life. That is also why radio and television network presidents are not appointed to the Federal Communications Commission even if their zeal for the public welfare, as they see it, is incontestable. The Open Market Committee, in this sense, is not free from private banker influence and bias. And it is naive for the regional bank presidents to protest, as they forcefully do at congressional hearings, that the public welfare is their only concern when they enter the committee room.

Here, then, is the "power revolution" at the Federal Reserve which destroyed the ingenious compromise of the original legislation. Control of the money supply, with its enormous economic consequences, has passed from a purely public group, composed only of public servants, to a mixed body with dubious qualifications to represent the public interest.

All the members of the Open Market Committee should be public members. There is absolutely no reason why

they should not be. They should be selected on the basis of broad experience and judgment and appointed by the President of the United States to represent the general public interest. Indeed, to make the point clearer, the Open Market Committee should be abolished and its power transferred to a perhaps enlarged Reserve Board.

The truth is that the intended functions of the regional banks, except for check clearing, have dwindled to almost nothing. The discount window is hardly used, so the regional banks no longer provide the "elastic currency" for their regions in that fashion. Open market operations are the pressure of the New York bank which merely informs the other regional banks what it has done, in their name, to change total bank reserves.

The major purpose to which the regional banks now devote their energies is to be the eyes and ears—the economic intelligence units—of the Open Market Committee in this country.

Instead of a multiheaded central bank, the Federal Reserve has actually developed into a single central bank with 12 branches. And the brain center is the Open Market Committee.

The open market account of the Federal Reserve Bank of New York carries out the sales of bonds and bills for the Treasury. The manager of this account in its operations acts as an agent of the Treasury, of the Federal Open Market Committee, and of the central banks of several countries.

How does the Federal Reserve fix interest rates?

1. By its open market operations and by setting the required reserves of member banks, the Federal Reserve determines the amount available for lending.

The amount of the desired borrowing—the demand schedule for money—bears a close, though by no means

hard and fast, relationship to the level of business activity as measured by, say, the gross national product. Broadly, what the economists say is that as GNP grows the money supply must also grow if interest rates are not to rise. On the other hand, if our productive resources, population, and capital grow and the money supply is kept constant, a tight credit market will eventually develop with decreased availability and a higher price for money. In consequence, resources will be unemployed and the GNP will not attain its full potential.

2. Open market operations directly affect the level of interest rates on government bonds. When the Federal Reserve buys, this increases the demand for securities, thus raising security prices (lowering interest rates); when it sells, it increases supply, and lowers security prices.

3. The Federal Reserve influences expectations about interest rates. If the Federal Reserve follows a tight money policy, for example, people are led to believe that interest rates will be higher in the future than they are now. And they will act appropriately. Lenders will ask more for their money; borrowers will pay more—since both expect rates to rise shortly anyhow.

The "open market" is a part of the financial markets which make up the money market of the United States located in New York City at the southern end of Manhattan Island. In these markets are traded corporate bonds, government bonds, corporate stocks, commodity futures, warehouse receipts, and so on. Major borrowers and lenders from over the nation exchange their funds there. Not the least of the operations on this market is that through which the U. S. Treasury borrows the money it needs by issuing government bonds and Treasury bills.

The 1935 amendment to the Federal Reserve Act provided that government securities "may be bought and sold only in the open market." For the most part this market consists of 21 primary bond dealers (in 1935 there were

only 12). Since 1942, the Federal Reserve has authority to purchase up to $5 billion government securities directly from the Treasury, but it has elected not to use this authority.

The actual operations are somewhat as follows: The Treasury determines each week how much money it will need the following week and notifies the manager of the open market account. All interested parties, including the 21 dealers, are notified and bids are made on Monday. On the following Tuesday the Treasury announces to whom the securities are sold. Generally speaking, the sale is to the highest bidders. The 21 primary bond dealers are in constant contest with each other and know long before Tuesday who got the bid.

Do the 21 dealers serve a useful purpose today? No. The practical effect of requiring all purchases to be made through the open market is to take money from the taxpayer and give it to these dealers. It forces the government to pay a toll for borrowing money. It makes it impossible for one agency of the U. S. Government to buy U. S. Government securities from another without paying tribute to these 21 dealers, overwhelmingly located on Wall Street.

There are six "bank" dealers:

First National City Bank of New York
Chemical Corn Exchange Bank, New York
Bankers Trust of New York
Morgan Guaranty Trust Co. of New York
First National Bank of Chicago
Continental Illinois Bank of Chicago

In addition there are 15 "nonbank" dealers:

The Discount Corp.
C. F. Childs & Co.
The First Boston Co.
Aubrey G. Lanston & Co.
Bartow Leeds & Co.

C. J. Devine & Co.
Briggs Schaedle & Co., Inc.
W. E. Pollock & Co.
D. W. Rich
Salmon Bros. & Hutzler
New York Hanseatic Corp.
Charles E. Quincy & Co.
Second District Securities Co., Inc.
Blyth & Co., Inc.
Malon S. Andrus, Inc.

The "bank" dealers consist of departments in the bank, while the "nonbank" dealers receive all their income by operating a tollgate on the sale of government securities.

The "open market" is in reality a tightly closed market. Before 1952 there were only 12 "authorized" dealers and today there are 21 dealers. These nine additional dealers were added as a result of congressional pressure on the Federal Reserve to stop dealing only with dealers who could meet such restrictive conditions in order to be "authorized." But admittance into the "dealers' club" is still highly exclusive.

CHAPTER IX

THE REVOLUTION THAT WAS

The first great turning was accomplished with the ease of a Pullman train passing from one track to another over a split-point switch. The landscape hardly changed at all for a while, and then gradually, and when people found themselves in a new political region, there was no turning back.

The event was the amendment of the Constitution in 1913, giving the federal government power to impose a progressive tax on all income. This idea was not only European, it was Marxian, one of the cardinal points of the Communist Manifesto. President Wilson disarmed opposition by saying the federal government would use this power, if at all, only in time of emergency and yet, as we now know, the obsequies of limited government ought then to have been performed. Only the intellectuals knew what it meant. Nobody else dreamed, least of all perhaps President Wilson, that the Federal income tax would be used not for revenue only, which was until then the only kind of taxation Americans knew, but for the purpose of redistributing the national wealth from the top downward, according to European ideas of social amelioration.

The federal income tax was but one tool and had not its full leverage until other turnings took place. It was not until the first year of the Roosevelt era that the intellectuals achieved political power at the foot of the throne. Then the federal government seized control of money, credit, and banking, and introduced an irredeemable paper money currency. Next, the Federal Reserve System, which was never, never to be a political instrument, became an engine of inflation, and the New Deal Treasury perfected a method of converting public debt into dollars —a process now called "monetization of the debt."

By this chain of events a revolution was brought to pass, almost unawares. Many people are still dim about it. The revolution was that for the first time in our history the government was FREE. Formerly, free government was understood to mean the government of a free people. But now that meaning changed. The government itself was free. Free from what? Free from the ancient limitations of money. It no longer had any money worries; it had no longer to fear a deficit because it could turn a deficit into money; the bigger the deficit the richer the government was. It had only to think billions and behold, the billions were in the Treasury.

After that it was merely nostalgic to talk any more of controlling government or limiting its powers of self-aggrandizement. What had limited it before was the public purse, which the people filled. Now, by this new magic, it could fill its own purse and scatter beneficence not only at home but throughout the world. If it had not possessed the wand that could command billions at will, the story of the country's relations to the rest of the world during the last twenty years might have been very different, and indeed one might almost say that for the want of dollars World War II would have been impossible.

—*The People's Pottage,* by Garet Garrett

I ask you if anyone feels that this world is better after World War I and II than it was before, when

the Constitution of the United States was supreme with us and the American flag occupied first place in our hearts and minds?—Former Sen. Albert W. Hawkes of New Jersey

The first World War and American intervention therein marked an ominous turning point in the history of the United States and the world. Unfortunately there are relatively few persons who recall the days before 1914 . . . . All kinds of taxes were relatively low. We had only a token national debt . . . . Inflation was unheard of here . . . . There was little or no witch-hunting and few of the symptoms and operations of the police state which has been developing so rapidly here during the last decade . . . . Enlightened citizens of the Western world were then filled with buoyant hope for a bright future of humanity . . . . People were confident that the amazing development of technology would soon produce abundance, security, and leisure for the multitude. In this optimism no item was more potent than the assumption that war was an outmoded nightmare . . . . The great majority of Americans today have known only a world ravaged by war, depressions, international intrigue, and meddling; the encroachments of the police state, vast debts and crushing taxation, and the control of public opinion by ruthless propaganda.—Professor Harry Elmer Barnes

CHAPTER X

PROFOUND REVOLUTION

On December 17, 1963, within a month after he became Chief Executive, President Lyndon Johnson appeared before the General Assembly of the United Nations and stated, in part:

> When I entered the Congress of the United States 27 years ago, it was my very great privilege to work closely with President Franklin Delano Roosevelt. As a Member of Congress, I worked with him to bring about a profound but peaceful revolution. That peaceful revolution brought help and hope to the one-third of our nation that was then "ill-housed, ill-clad, and ill-nourished."
>
> . . . .
>
> Now, on the world scale, the time has come, as it came to America 30 years ago, for a new era of hope, hope and progress for that one-third of mankind that is still beset by hunger and poverty and disease. . . .
>
> It will not be achieved through some hopeful resolution in this assembly, but through a peaceful revolution in the world. . . .

Now we have official proclamation of a fact stated by

the late Garet Garrett in the title of his book *The Revolution Was,* published in 1944. The New Deal revolution was; the world revolution is. These are facts we must accept. We must accept also that the President worked with others to bring about the one, that he is working now to bring about the other.

Before the United States becomes further involved in profound revolution all over the world, it might be well to stop, look, and listen, to contemplate the consequences of the peaceful revolution which has been kept so secret for more than a quarter of a century. One consequence of revolution has always been a change in the form of government and, of course, a new ruling class.

The constitutional government of the United States had established the people as rulers of this nation. The rule was of, for, and by the people. In the "profound but peaceful revolution" described by the President, the people were not consulted; they knew nothing about it. When their constitutional government was overthrown, the government of, by, and for the people did "perish from the earth."

We shall take the President at his word; we will accept the promise that there was a successful revolution during the Franklin Roosevelt administration. The New Deal and the Brain Trust symbolized the new revolutionary government. It is with this new revolutionary government we must deal, for this new revolutionary government of the United States has officially stated its intention of spreading this particular revolution world-wide. Neither people nor Congress is to be consulted.

The New Deal revolution was unique. It maintained the outward forms of the old constitutional government; the three departments of government, the executive, the legislative, and the judicial were, to all intents and purposes, to remain. The people, unaware that the revolution had occurred, would not be aroused by the ousting of their "duly elected" President and Congress and the appointed judiciary. If the profound and peaceful aspects were to con-

tinue, the people would have to be deceived, kept in ignorance, while the revolutionary government was quietly eased into full power and control.

Revolutions are not organized overnight, nor do they form without strong central planning and direction. The facts of the New Deal revolution are now coming to light and the forces which put the revolution in motion are fully revealed.

Astute men had long sensed the formation of a movement calculated to control the Government of the United States. The same men who instigated the revolution in 1933 were referred to by New York City's Mayor John F. Hylan as long ago as March 22, 1922:

> The real menace of our republic is the invisible government which, like a giant octopus, sprawls its slimy length over our city, state, and nation. At the head is a small group of banking houses, generally referred to as "international bankers". This little coterie of powerful international bankers virtually run our government for their own selfish ends.

The international bankers, referred to here by Mayor Hylan, had organized three years before this and formed a power structure dedicated to control the world. Within this group was complete control of the money of the world and they intended to use it to the fullest advantage. They called themselves the Council on Foreign Relations. They have worked steadily on their project of world control by building world empire. Nothing has been permitted to stand in their way.

On December 9, 1950, the Chicago *Times,* taking note of the menacing power of the Council on Foreign Relations, commented editorially:

> The members of the Council are persons of much more than average influence in the community. They have used the prestige that their wealth, their social position, and their education have given them to lead

their country toward bankruptcy and military debacle. They should look at their hands. There is blood on them.

Thus, the existence and the satanic power of the Council on Foreign Relations were recognized by men in a position to know about it, many years ago. Many warnings, such as those raised by Mayor Hylan and the Chicago *Times,* were uttered and fell on deaf ears.

Among the international bankers who had formed the Council on Foreign Relations and whose descendants make up the Council today were:

The House of Rockefeller
The House of Morgan
Goldman Sachs
Kuhn Loeb & Co.
Lehman Brothers
Brown Brothers Harriman

There were and are others, of course, but these provided the nucleus of the world powerhouse which was to work toward revolution for the establishment of a world empire to be ruled by themselves and their counterparts in Europe. The membership of the Council on Foreign Relations never exceeds 1,400, more than 1,000 of whom are the educated elite who serve as the work horses and lackeys of the billionaire element at the top.

The "Brain Trust" which moved into Washington with Roosevelt and set up the New Deal—their name for the "profound and peaceful" revolution—almost to a man came from the headquarters training school of the Council on Foreign Relations.

Each succeeding administration has absorbed more and more of the Council on Foreign Relations lackey staff into the government until, at last, the Kennedy administration was more than 90% a Council on Foreign Relations operation. The revolutionary government had been firmly established. The time had come for the experienced hand to

move and get the world-wide revolution rolling. This, as President Johnson stated in his speech of December 17, 1963, he intended to do.

This little book is written at a time when the new world order is facing a crisis. The new world order will pass. What then? Americans who have lived through half a century under the new order, without knowing or even suspecting that the constitutional government of the United States has been quietly erased, are not equipped to deal with the problem. What now?

Students in the schools have been taught for several generations that we are building a new world order. Their parents knew nothing about it; they would not have believed it if they had been told. They have been completely absorbed in the accumulation of material wealth, a new form of wealth, peculiar to the new order.

In the days of the constitutional republic, Americans worked, saved, and were free and responsible. Their wealth was invested in debt-free property and in savings in the banks. They were prepared to meet the misfortunes of life as well as its responsibilities. They had wrought mightily and they managed their wealth wisely.

Then a terrible malignancy invaded the body of the republic. The happy and prosperous people were taken into a World War. The horrors of war, however, were soon forgotten in the unprecedented prosperity of the postwar period. For the first time, individual Americans began to borrow money to pay for unearned luxuries, to gamble in over-priced stocks. They were mortgaging their future to pay for the pleasures of the present.

The people discarded the old ways of industry, economy, and thrift, and embarked on a dangerous policy. No longer were earnings applied to the purchase of a home, as Americans had always purchased homes, with money carefully saved for the purpose. The down payment, the mortgage on future earnings, was the trademark of the new order.

Americans indulging in this practice went through life, burdened by debt, never really owning anything.

New devices entered the public communications field, slick magazines, radio and eventually television. These were put to work to sell new ideas and attitudes on the debt economy. Propaganda poured upon the populace day and night and soon all trace, all memory of the old order had disappeared. The credit economy had been replaced by the debt economy. Propaganda sustained the new order. The future was mortgaged to the hilt. Propaganda-drugged Americans accepted the theory that we do not need to worry about public debt, we owe it to ourselves; in other words, we do not have to pay the debt because we owe it to Americans. If we had owed it to foreigners we would have to pay it. This idea was an expansion of the theory of the New Deal (new order), that Americans could not hold or acquire gold or redeem government paper in gold. Foreigners can and do.

A state of perpetual war has come with the new order and rebellious youth is now challenging the system which imposes upon them the debts and taxes resulting from the profligacy of other generations. They are challenging the right of any government to demand of them the sacrifice which the perpetual war of the new order demands. Their rebellion is the crisis now confronting the new world order.

American youth may be coming to the realization that the new world order is not going to work to their advantage. They will have to make some important decisions, which should be based on solid facts, if they are to change things for the betterment of themselves and their children. They will have to learn to distinguish truth from falsehood, to separate fact from propaganda. They will have to understand that many of the things they have been taught are not true. Then they will have to seek out the facts for themselves, before they can hope to make sound decisions.

The new world order has been based on lies and distor-

tion, which must be completely debunked. First on the debunk list should be the Federal Reserve System. The Federal Reserve System is not owned by the government. The government does not own a dime's worth of stock in it. It is owned by private individuals, mostly by those who own and control the great banking and investment houses in New York City.

Congress does not coin the money and regulate its value. The privately-owned Federal Reserve System issues all the money; they create the money and get it into circulation by buying debt bonds of the federal government. The government puts the money into circulation when they use the Federal Reserve Notes to pay the government bills. The green paper in the pockets of Americans is plainly marked; it tells its own story; it is a FEDERAL RESERVE NOTE.

The government in Washington is not a national government. Under the new world order, it is the government of a state in the world government of the United Nations. This fact is accepted in a hazy sort of fashion by the student of today. His parents have never suspected it, nor would they have cared much if they had. Collectively they have long since decided to let their children work out the problems created by their own insensate desires for the unearned good things of life, here and now. The fact that the children were not being equipped to handle these problems was of no consequence to their parents. Not until the draft board takes its toll do these parents sense danger.

It is the opinion of this writer that a factual review of the past is imperative if the youth of today is to understand the present and be prepared to assess properly the strangest and most colossal wreckage in all history, a sea of wreckage represented by split-level homes, gaudy new cars and boats, fabulous luxuries of every description—all mortgaged to the hilt and charged to the new generation.

Inquiring and rebellious youth must understand that all this did not happen without central planning and direction.

He should understand also that those who planned and directed this program, which has brought perpetual war to a most peacefully inclined people, had something to gain from the adventure. He must realize that in all history there have been greedy and power-mad men who have schemed to rule the world. He should know who these men are and how they operate.

Revolution, as the average American understands the term, is a violent overthrow of existing government. The international bankers of the Council on Foreign Relations could not hope to accomplish their purpose by such tactics; nor are they the type to engage in such perilous activity. The new revolution had to be fought with money. They would provide the money for revolution, for wars, for the wholesale bribery of the whole populace in the form of welfare, subsidies, wage and price guarantees, social security, and a host of other benefits all charged to the beneficiaries in the public debt. This debt is owed largely to those international bankers of the Council on Foreign Relations.

In order to sustain the profound and peaceful operation of the new government, the visible form of that government must be maintained. The people will go along producing at peak capacity to support the schemes of what they believe to be their government, hence, the President, the Congress, and the Supreme Court will remain in Washington and go through the motions of that government. The revolutionary government works through the United Nations, where the laws are actually made and handed down to the straw bosses of the member state, the President, Congress, and Supreme Court, for implementation. All are charged with the binding obligation of putting these laws into effect within their borders. This they do, as they are continuing to do, wittingly or unwittingly (members of Congress appear to do their part unwittingly), since we were taken into the United Nations.

The more observing youth will remember the Republican

National Convention of 1964, where young Republicans rose up and ousted the former leaders of their party. These leaders were denounced by the delegates who referred to them as the Establishment or the Eastern Establishment. The propaganda press went all out to protect the Establishment without giving any information on the nature and make-up of this organization. The fact is that the top echelon of the Establishment is occupied by the bankers of the Federal Reserve System and a group of associated cartelists who intend to rule the world through the United Nations.

This group of billionaires and their trained agents, who occupy all top posts in Washington government by appointment of the Establishment, are incorporated under the title, Council on Foreign Relations. It is an international combine, having counterpart organizations through Europe, Asia, and Africa. Through their central banking systems, they control the wealth of the world and use this wealth and the credit of all the people in the world to advance their own objective. One of their trusted member agents put it thus: "Our goal is government of all the world" (Elmo Roper).

The Council on Foreign Relations was organized immediately after the failure of their League of Nations scheme. They took control of both political parties through the simple expedient of getting control of the delegates of the national conventions by whatever means necessary. Money was never a problem to them. They had control of the Federal Reserve System; it was their property.

With firm control of both political parties, their control of government was secure. The Council on Foreign Relations headquarters in New York became both a training school and a hiring hall for operatives of the Washington government. This small group of 1,400 men have literally taken over the government of the United States and eased it into the world empire (the new world order) of the United Nations.

The course of empire is once again littered with the dead and broken bodies of youth, the youth of the world this time. A war and debt economy on an international scale demands this; empire-building requires it. The death march goes on because American youth and their irresponsible parents are misinformed and completely misled by the propaganda of those who will destroy anything which stands in the way of their planned world conquest.

One of the most loquacious members of the Council on Foreign Relations stood before a Committee of the United States Senate, not many years ago, and told the Senators to their faces that they (we) would have world government whether we want it or not; if we did not get it by consent, said Mr. James Warburg, we would get it by conquest. The whole Senate has taken his word for it. We have gotten world government by consent.

A simple question should be posed for the inquiring American and it is imperative that the answer be found right now, in this time of crisis: Why should the richest men in the United States favor world government? It cannot be denied that they favor it and are using their vast wealth and influence to advance this objective. On Wednesday, November 10, 1965, the New York Metropolitan Committee of the United World Federalists held their Second Annual "Publius Award" Dinner. On this dais were:

Mr. Clark M. Eichelberger
Honorable Benjamin V. Cohen
Dr. Arthur Larson
Honorable Paul G. Hoffman
Dr. Charles Rhyne
Mr. William Rand, Jr.
Ambassador Zwnon G. Rossides
Mr. C. Maxwell Stanley
His Excellency Chief S. O. Adebo
Mr. John J. McCloy
Mr. Grenville Clark
Mr. Randolph P. Compton

Mr. Norman Cousins
Dr. Arthur N. Holcomb
Honorable Constance Baker Motley
Dr. Louis B. Sohn
Mr. C. V. Nararimhan
Mr. Thomas H. Mahony
Dean Andrew W. Cordier
Mr. James P. Warburg
Mr. Lloyd K. Garrison
President John Sloan Dickey
Honorable Thomas K. Finletter
Justice William O. Douglas

More than half of these men are members of the Council on Foreign Relations. They are among the richest men in the world. Would they be here unless the United World Federalists were promoting their interests? The reader will note the name of James P. Warburg on the list. It is he and his associates on the Council who have decreed that we will have world government whether we want it or not. The point to be stressed in this work is that we already have it. There are now two questions confronting us: Do we want it? Must we keep it? Only an enlightened America is competent to answer.

The President of the United States has made the unequivocal statement that the United States had a revolution under the New Deal and that it was time now for a world revolution. He said the New Deal revolution had been profound but peaceful. That is why the people did not know about it and because the people did not know about it, an immediate change in the form of government was not expedient. The constitutional form would remain; the President, the Congress, the Supreme Court, would continue to represent a visible government, while the new revolutionary government was established at a higher, invisible level—(Mary M. Davison).

By all means you should read *The Profound Revolution* by Mary M. Davison. Order from: The Greater Nebraskan, 1313 Turner Blvd., Omaha, Nebr. 75 cents.

CHAPTER XI

IN THE BEGINNING

NELSON ALDRICH

On the night of November 22, 1910, a crowd of newspaper reporters gathered at the Hoboken, N. J., railway station. They had been tipped off that some very highly-placed people were coming over to Hoboken from New York City to board a train and go away on a secret mission. What the mission might be, or who the personages involved, none of them knew, but they were certain that an extremely important event was in the making.

Sen. Nelson Aldrich entered the station. Here was their proof. The reporters gathered around him. He was always good copy, although he was noted for his brusqueness and the difficulty of getting a story from him. This was due to his tieup with the powerful rubber trust and the tobacco trust. As one of the coalition of five Republican Senators then ruling the Senate, Aldrich had used his elective position to enact a series of tariffs and laws favorable to his own interests, and had been denounced many times for his callous disregard of his oath of office as he devoted his power to the program of the international financier.

Aldrich had recently returned from Europe with the National Monetary Commission, of which he was head.

This was a Commission appointed by Congress in response to public feeling against big bankers after the artificial Panic of 1907. The commission had been charged to make a thorough study of financial practices before formulating banking and currency reform legislation for Congress. It was pointed out at the time that such legislation seemed unlikely to offer genuine reform under the leadership of a man with Aldrich's known sympathies and employment but Congress was blithely impervious to this criticism.

Senator Aldrich and the National Monetary Commission had spent nearly two years touring Europe at the American taxpayer's expense. He and his entourage had dissipated more than $300,000 of public money, although they had been wined and dined by all the important Europeon financiers and seemed to live off the land wherever they traveled. Since his return to this country, Senator Aldrich had made no effort to report to Congress the outcome of his trip, nor had he yet offered any ideas as to banking reform. The nation waited for him to provide a cure for the recurring financial panics which had upset business and small fortunes continually since the Civil War. He had not come to any definite plan for such a cure.

With Senator Aldrich was A. Piatt Andrew, professional economist and Assistant Secretary of the Treasury, who had traveled with Aldrich to Europe as Special Assistant to the National Monetary Commission. They were followed by Aldrich's private secretary, Shelton, and reporters with a number of pieces of luggage. Evidently they were going away for an extended time. The crowd of reporters, representing most of the great New York dailies, were convinced that the secret mission must have some connection with the proposed financial reform, and clustered aggressively around Aldrich, demanding a story.

Aldrich was accustomed to dealing with reporters, and walked past them without answering any of the questions shouted at him, nor did his companions so much as look up at the newsmen. They entered Aldrich's private car at

the end of the train, and the shades were immediately drawn over the windows. The reporters were left to speculate with each other on the possible destination of the legislators.

Their curiosity was increased when they saw coming into the station two more bankers, followed by a group of porters. Here was Frank Vanderlip, a stocky, genial man who had risen from working as a farmhand to become President of the National City Bank of New York, the most powerful bank in this country, representing the Rockefeller oil interests and the railroad systems owned by the banking house of Kuhn, Loeb Company. The National City Bank had large interests in South America, and had been charged in 1898 with getting the United States to go to war with Spain. At any rate, the National City Bank came out of the Spanish-American War as the proprietor of Cuba's sugar industry.

With Vanderlip was the austere Henry P. Davidson, senior partner of J. P. Morgan Company, and Charles D. Norton, President of Morgan's First National Bank of New York. These three financiers were dominant in the small group of New York bankers which had been accused of controlling the entire money and credit of the United States. In response to the reporter's question, Mr. Vanderlip declared that they were only going away for a quiet weekend in the country.

These men controlled the oil, railroads, communications, and heavy industry of this country. What plan of action brought them skulking out of New York to board a private train on the other side of the river? Men as powerful as these had no reason to hide their comings and goings, and in the past they had been openly scornful of public opinion and public interest. No large new enterprise could be undertaken without coming to one or more of these men, and they saw to it that their advice and aid were well recompensed. They elected Congressmen, appointed judges, and bought and sold newspapers and publishing houses when-

ever they needed a job done. One of their number had once earned a sort of fame by exclaiming, "The public be damned!" It was not in character that they should cloak themselves in mystery.

The reporters had the same luck with these bankers that they had had with Aldrich, and watched their story disappear into Aldrich's private car. The next figure to appear was not so well known to them. This was Paul Moritz Warburg, a German immigrant who had been in this country less than eight years, but who had so availed himself of the privileges of this land of opportunity that he was already a partner in the banking house of Kuhn, Loeb Company, New York, at a salary of $500,000 a year. His family house of M. M. Warburg Company, of Hamburg and Amsterdam, was the chief German representative of the great European banking family, the Rothschilds. Liberal amounts of Rothschild funds had enabled Jacob Schiff to purchase a partnership in Kuhn, Loeb Company and less than 20 years later achieve an unchallenged domination over the large railway systems of the United States.

Paul Warburg had not devoted much attention to business since he arrived in this country. Instead, he had spent much of his time writing and lecturing on the subject of monetary reform. This seemed to be in direct conflict with his personal interests and the interests of his employers, for a genuine monetary reform would certainly reduce their profits and power, but his work along these lines brought him an increased salary and even more time to advocate banking legislation which would set up a central bank in the United States similar to those of Europe. Warburg was already known as the "banking brain" of New York, and commanded large audiences among the city bankers when he spoke at the meetings of the Chamber or other bankers' fraternal groups.

With Warburg was Benjamin Strong, who had come to prominence on Wall Street during the Panic of 1907 as an able lieutenant of J. P. Morgan, when he demonstrated his

ability to carry out orders. This was a money panic which had been called by Morgan to wipe out the competition of the Heinze-Morse group in the banking, shipping, and iron industries. Strong's appearance as companion of Warburg was no accident, for the J. P. Morgan interests and Kuhn, Loeb interests had formed an alliance in 1901, known as the Northern Securities Company, which dominated the country ever since. This alliance had put Theodore Roosevelt in as President of the United States in 1904 to delay the prosecution of the Northern Securities Company by the Department of Justice. Roosevelt was successful in doing this, and the Morgan-Kuhn-Loeb alliance was able to work out a more complicated and less vulnerable system. For this work, Roosevelt was given the name of "trust-buster."*

Warburg and Strong were silent as the others, and the reporters watched the train leave the station without so much as a quote from any of the bankers. They returned to their papers with nothing more than a few paragraphs on the mysterious departure of the financiers from New York, but not a single metropolitan daily carried the story. The city editors wisely ignored the event.

The first public reference to the mysterious mission ap-

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*Northern Securities was the consolidation of the Rothschild Empire in America, J. P. Morgan and Company having become international agency in 1869, when J. P. Morgan and Anthony Drexel went to London and concluded an agreement with N. M. Rothschild Company that J. P. Morgan Company would henceforth act as their agent. Thus Drexel Company of Philadelphia, J. P. Morgan Company of New York, Grenfell and Company of London, and Morgan Harjes and Company of Paris were able to hide under a less known name. J. P. Morgan had been chosen for this high honor because of the affair of the Hall carbines during the Civil War, when he swindled his own government by selling to the Union Army from a Federal arsenal carbines which the Army had condemned. The affair has been thoroughly written up in Gustavus Myers' *History of the Great American Fortunes.* Also J. P. Morgan's father, Julius S. Morgan, was a partner of George Peabody and Company, the financial agents of the federal government in London during the Civil War, and as such, had acted in the interests of the Rothschilds, a fact also documented by Myers.

peared some six years later, three years after the Federal Reserve Act had been passed and was in operation. This was an article by E. C. Forbes in *Frank Leslie's Magazine*, a feature in praise of Paul Warburg which incidentally told a story called "Jekyll Island," giving the first revelation of what happened in November, 1910. Bit by bit, Forbes' account was enlarged upon during the next thirty years, in statements and biographies of the principal characters, until the entire story had come out.

Aldrich's private car, which had left Hoboken Station with drawn shades, had taken the financiers to Jekyll Island, Ga., to the Jekyll Island Hunt Club, a very exclusive club owned by J. P. Morgan and a small group of influential New York bankers. The club was very isolated, and was used as a comfortable retreat far from the cares of the New York money market. Its advantageous location made it much in demand for pursuits other than hunting, and on such occasions members of the club were informed that they should not appear there for a certain number of days. When Aldrich's group left New York, the club's members had been notified that the club would be occupied for the next two weeks.

The Aldrich group was not interested at this time in hunting. They had come to Jekyll Island to get a lot of work done, and they wanted to do that work in absolute secrecy. For that reason, the customary attendants at the club were given two week vacations, and new servants brought in for this occasion. The Aldrich group felt that it was imperative that their identity be kept secret, and allowed no visitors during the next two weeks. They were so anxious to prevent any knowledge of their mission leaking out that they never used last names, calling each other by their first names only, such as Henry, Ben, and Paul.

This proved to be so satisfactory for all concerned that it was made more formal after their return to New York, when they organized the "first-name club" and limited its membership to those who had been on Jekyll Island.

Why all this secrecy? Why this thousand-mile trip in a closed railway car to a remote hunting club? The Aldrich group went there to write the banking and currency legislation which the National Monetary Commission had been ordered to prepare. At stake was the future control of the money and credit of the United States. If any monetary reform was passed by Congress which was not written by and for the New York bankers, their power would be ended. As the most technically-informed of the bankers, Paul Warburg was charged with doing most of the drafting of the plan. Sen. Nelson Aldrich was there to see that it came out in a form which could be gotten through Congress, and the other bankers were there to offer suggestions and help on banking problems. Instead of making a report to Congress or to the American people on the results of the National Monetary Commission's trip to Europe, Senator Aldrich went to Jekyll Island to write a bill which later was passed by Congress and signed by President Woodrow Wilson as the Federal Reserve Act of 1913.

The Jekyll Island group remained at the club for nine days, working steadily to complete their job, for Congress was already complaining that the National Monetary Commission seemed to have no solution ready. Despite the common interests of all present, the work did not proceed without friction. Senator Aldrich considered himself the leader of the group, and, as the dictatorial type, could not help ordering everyone about. Aldrich also felt somewhat out of place as the only member who was not a professional banker. He knew very little about the technical aspects of financial operations, previously having been content to see to it that the country's laws took care of his business for him. Paul Warburg felt that every question demanded a lecture, and he never lost an opportunity to go into a long discourse or to impress the others with the extent of his technical knowledge of banking. This often seemed a waste of time, and drew many barbed remarks from Aldrich, so that it sometimes required all the diplomacy of Henry P. Davidson to keep them at their work. Also, Warburg's thick

alien accent grated on them all. As the lone outsider in this clique of American aristocrats, he realized the delicacy of his position, but nevertheless quarrelled on any occasion concerning technical problems, which he considered his personal field.

One of the main difficulties in working out a monetary reform plan which could then be presented as the work of the National Monetary Commission was to keep hidden the obvious authorship of the bill. So great was popular resentment against bankers since the Panic of 1907 that no Congressman would dare vote for a bill bearing the Wall Street taint, regardless of who paid his campaign expenses. The plan which was being worked out at Jekyll Island was a plan for a central bank. There was in American history a long tradition of war against inflicting a central bank on the finances of this country, and there had until 1896 been a continuous struggle against totalitarian domination of our financial resources. It had begun with Jefferson's fight against Alexander Hamilton's scheme for the First Bank of the United States. It had continued with Andrew Jackson's successful war against Nicholas Biddle's Second Bank of the United States (Biddle had been backed in that fight by James Rothschild of Paris); a fight which was a financial Civil War, and it had resulted in the setting up of the Independent Sub-Treasury System which supposedly had kept the United States' funds out of the hands of the great bankers. Because our funds were in the Sub-Treasury System, the bankers had precipitated the money panics of 1873, 1893, and 1907, causing widespread suffering throughout the country and arousing the public to demand that Congress enact legislation to prevent the recurrence of artificially inspired money panics. Such monetary reform now seemed inevitable, and it was to head off and control such reform that the National Monetary Commission had been set up with the multimillionaire Nelson Aldrich at its head. The financiers' inner circle was now gathered at Jekyll Island to write banking legislation which would pro-

tect their interests, legislation which would be publicized as a "people's banking bill."

The main problem, so Paul Warburg informed his colleagues, was to avoid the name of "Central Bank," and for that reason he had come upon the designation of "Federal Reserve System." This would allay suspicion in the popular mind that the bill was a central bank plan. However, it would still function as a central bank, fulfilling the three main functions in that tradition, that is, it would be owned by private individuals who would draw profit from ownership of shares, and who could control the nation's issue of money; it would have at its command the nation's entire financial resources; and it would be able to mobilize and mortgage the United States by involving us in major foreign wars.

The next principal consideration was to conceal the fact that the proposed "Federal Reserve System" would be dominated by the operators of the New York money market. The Congressmen from the South and the West particularly could not survive a vote for a Wall Street plan. Farmers and small businessmen in these sections had suffered most from the repeated money panics, and there had been ever since the Revolutionary War a considerable amount of popular resentment against Eastern bankers. The private papers and letters of Nicholas Biddle, which were not publicly printed until nearly a century after his death, show that even at that time the Eastern bankers had to take into consideration the feeling against them.

Paul Warburg had already worked out the primary deception which would keep the people from recognizing his plan as a central bank. This was the regional reserve system, an organization of four (later passed as twelve) branch reserve banks located in different sections of the country. No person unacquainted with the details of the nation's credit structure would be likely to realize that the present concentration of most of the nation's debt and money in New York made the operation of a regional service system

farcical, since the regions would finally be dependent on the amount of money or credits available to them from New York.

Most important of the provisions incorporated in the legislation drafted by the financiers was the selection of the administrators of the Federal Reserve System. Aldrich was the first to point out that the officials should be entirely appointive offices, and that Congress should not have anything whatever to do with them. As an experienced Senator, he knew that any congressional control over the administration of the System would embarrass the Wall Street interests, because the hick Congressmen would lose no opportunity to investigate irregularities and prove to their constituents that they were fighting the traditional enemies, the Eastern bankers.

Removal of the System from congressional control and supervision made the entire Federal Reserve proposition unconstitutional from its inception, because the Federal Reserve would be a bank of monetary issue, and Congress is expressly charged in the Constitution with the issuance of money. Article 1, Section 8, Paragraph 5, states that:

> CONGRESS SHALL HAVE THE POWER TO COIN MONEY AND REGULATE THE VALUE THEREOF; AND OF FOREIGN COIN.*

Enactment of Warburg's Federal Reserve System meant that the legislative department of our government would lose its sovereignty, and that the system of checks and balances of power set up with so great a struggle by Thomas Jefferson in the Constitution would be destroyed. Adminis-

*The Supreme Court has held that the delegation of the coinage prerogative to private bankers is constitutional because Congress thought it "necessary and proper" to do so. "Necessary and proper" says the Court, "means convenient." Of course the most "convenient" method of handling a constitutionally delegated power is to abdicate that power to private interests. (McCulloch vs. Maryland, 4 Wheat 316, 4 L. ed 579.)

trators of the System would control future issue of the nation's money and credit, and would themselves be controlled by the *executive* department of the government. The judicial department (Supreme Court, etc.) already was controlled by the executive department through the wangle of appointive offices, and now the legislative department would be effectively castrated, making possible a rapid centralization of power behind the White House in Washington.

Four years after the passage of the Federal Reserve Act in 1913, the United States had been involved in the First World War, and was in the grips of an absolute dictatorship of three men, who imprisoned anyone who objected to them. A Presidential candidate of the Socialist Party, Eugene Debs, was sent to Atlanta prison by Woodrow Wilson. Our heavy industry was under the dictatorship of Wall Street gambler Bernard Baruch; food and agriculture were under the dictatorship of a London Exchange gold manipulator, Herbert Hoover, who had not been in this country as a resident for 20 years prior to his appointment by Woodrow Wilson; and our finances were under the dictatorship of Paul Warburg, chairman of the Federal Reserve Board of Governors, whose first allegiance was to his family banking house of M. M. Warburg Company of Hamburg. M. M. Warburg was at that time financing the Kaiser's war against us, and Paul Warburg's firm of Kuhn, Loeb Company had five representatives in the Treasury Department in charge of Liberty Loans, thus financing our war against the Kaiser.

Baruch's partner in the Alaska-Juneau Gold Mining Company, Eugene Meyer, was head of the War Finance Corporation. Eugene Meyer collected commissions on the hundreds of millions of dollars of Liberty bonds which he bought from and sold to himself as head of the War Finance Corporation to Eugene Meyer and Company, 14 Wall St., New York. No wonder he bought control of the enormous chemical trust, the Allied Chemical and Dye

Corporation, and became a publisher in Washington, owner of the extremely left wing Washington Post, the staunch defender of the traitor Alger Hiss.

With power such as this at stake, it is not to be wondered that the Aldrich group traveled a thousand miles in a sealed railroad car to prepare their plans for taking over this country. The writing of the plan, however, was only the first step.

The first serious break in the work of the Jekyll Island group came when Sen. Nelson Aldrich declared that he could not let Warburg's proposed designation of "Federal Reserve System" be attached to the bill. His name had already been associated in the public mind with monetary reform, and he argued that it would arouse suspicion if a bill were put before Congress which did not bear his name. Warburg argued in vain that the use of Aldrich's name would certainly condemn the bill as representing the great Wall Street interests, for Aldrich was popularly known for his tariff bills in favor of the tobacco trust and the rubber trust. Aldrich, however, had made up his mind that the legislation must bear the name of Aldrich, and he would not hear any objection to it.

Most of Warburg's suggestions had already been incorporated in the bill, and his colleagues saw in this disagreement a chance to defeat him on at least one point, so that Warburg found himself alone in his opposition to Aldrich. Predicting that the name alone would make their work in securing its passage much harder, if not impossible, he devoted himself to helping them polish up the bill, and, some ten days after they had sneaked out of the city, they returned to New York with a completed financial act which would be presented to Congress under the name of "The Aldrich Plan."

The point which Warburg had most successfully gotten into the plan was the matter of a uniform discount rate, to be imposed on all the banks of the United States by the

proposed system. This was the method employed by the big European central banks about which Warburg knew so much. A discount rate imposed by a central bank on the entire nation meant the power to create a money panic not only on the New York money market, as had been the case in the Panics of 1893 and 1907, but also the power to make the money shortage a truly nationwide condition. Consequently, there occurred the Agricultural Depression of 1920-21, and the Great Depression of 1929-39, for both of which, as we shall see, the Federal Reserve System was directly responsible.

In Paul Warburg's Memorandum, quoted in the official biography of Nelson Aldrich, Warburg said:

"The matter of a uniform discount rate was discussed and settled at Jekyll Island."

Although this was Warburg's single reference to Jekyll Island, (a 2,500 page work by him on the Federal Reserve System fails to mention this group in any way), the other members of the "First-Name Club" were not so reticent. In an article in the *Saturday Evening Post,* in 1935, Vanderlip went into detailed discussion of the Jekyll Island adventure. He said, in introducing the event, that:

> Despite my views about the value to society of greater publicity for the affairs of corporations, there was an occasion, near the end of 1910, when I was as secretive, indeed as furtive, as any conspirator. Since it would have been fatal to Senator Aldrich's plan to have it known that he was calling on anybody from Wall Street to help him in preparing his Bill, precautions were taken that would have delighted the heart of James Stillman (President of the National City Bank during the Spanish-American War).

Frank Vanderlip further states, in his autobiography, *From Farm Boy to Financier:*

> Our secret expedition to Jekyll Island was the occasion of the actual conception of what eventually be-

came the Federal Reserve System. The essential points of the Aldrich Plan were all contained in the Federal Reserve Act as it was passed.

In a preface written for a group of Warburg's essays calling for a central bank, Professor E. R. A. Seligman, of the international banking family, head of the Department of Economics of Columbia University, said:

"The Federal Reserve Act is the work of Mr. Warburg more than of any other man in the country."

The facts bear out Mr. Seligman's statement.

SENATOR ALDRICH

With the return of the Jekyll Island group to New York, the financiers now sponsored a nationwide propaganda movement to sell the people on "The Aldrich Plan." All national banks were forced to contribute to a slush fund of $5 million, and the great universities were used as strongholds of propaganda, abetted by the university presidents and the professors of economics.

Woodrow Wilson, President of Princeton University, was the first prominent educator to speak in favor of the Aldrich Plan, a gesture which immediately brought him the Governorship of New Jersey and later the Presidency of the United States. During the Panic of 1907, Wilson declared that: "All this trouble could be averted if we appointed a committee of six or seven public-spirited men like J. P. Morgan to handle the affairs of our country." This plea for a financial dictatorship had brought him favorable notice from the bankers, and he had been invited by Frank Vanderlip to a luncheon with James Stillman, then President of the National City Bank. Stillman afterwards remarked to Vanderlip that Wilson was not a great man. Nevertheless, the support of the National City Bank gave Wilson the Presidency of the United States after Wilson promised to enact the Federal Reserve Act.

Much of the bankers' campaign fund was spent under

the auspices of an organization called the National Citizens' League, which was not national and might properly have been called an economists' league, since it was made up principally of college teachers who wished to get on in the world. It was headed by J. Laurence Laughlin, the most prominent gold standard economist in the country, and head of the Department of Economics at Rockefeller's University of Chicago. The League soon numbered among its members most of the economists and college presidents in the East and Middle West. The League printed and distributed many abstruse and technical volumes pointing out the need for a central bank and other features of "monetary reform."

The Aldrich Plan was presented to Congress as the result of three years of work, study, and travel of the National Monetary Commission, at an expense of more than $300,000. Actually, only two members of the Commission had anything to do with the plan, Senator Aldrich and A. Piatt Andrew, who was not a member of the commission but a special assistant. The other members had a two year joy ride around Europe and cheerfully signed everything which Aldrich asked of them.

In 1911, the Aldrich Plan became the official platform of the Republican Party. This was a case of the broom riding the witch, for the Republican Party had ever since the Civil War fought bitterly all efforts at monetary reform up to 1910, and had spent the largest sum of money employed in a Presidential campaign up to that time, in the campaign against William Jennings Bryan in 1896. Bryan was running on a campaign of monetary reform, and was arousing such response that international bankers here and in Europe poured money into a Republican fund and purchased votes by the million. The amount of money spent in that campaign has never been determined with any degree of accuracy, but subsequent congressional investigations put the figure at from $6 to $16 million. The same bankers who had given money to fight monetary reform in 1896 were

in 1911 giving liberal donations to see that *reform legislation* was enacted.

The Republican Party had become identified as the representative of the conservative classes in money matters, and its sudden about face on this issue caused some suspicion. Monetary reform had until this time been the preserve of the Democratic Party. William Jennings Bryan had very nearly secured the Presidency on a bimetalism platform, although as he remarked to the economist Arthur Kitson, "Free silver is only window dressing. The real issue is the control of the nation's money and credit." As the candidate of the Democratic Party, Bryan had made his famous "Cross of Gold" speech, in which he enjoined the New York bankers not to crucify the American citizen on a cross of gold. They did not listen to him.

There were still in 1911 many independent and public-minded newspapers, whose editors were not in the pay of bankers and whose mortgages were not subject to foreclosure from New York. These editors saw in the Aldrich Plan its concealed threat to their communities, and began a forceful and vigorous campaign against it. They pointed out, as Paul Warburg had foreseen, that Senator Nelson Aldrich did not represent the common people of this country, or anyone else who had less than a million dollars, and there was plenty of evidence to prove it. Consequently a nationwide opposition sprang up against the Aldrich Plan. The outcry against it created an atmosphere favorable to passing the same plan under the sponsorship of Woodrow Wilson and the Democratic Party as the Federal Reserve Act of 1913.

Louis Brandeis led the fight against the Aldrich Plan in the *Harper's Weekly* with a series of articles on the great money trust. The period in literary history to be known as the "muckraking" period was then in full swing. Ida Tarbell wrote a series of article in the *American Magazine* exposing Senator Aldrich's illegal activities, and a definitive history of Rockefeller's Standard Oil, pointing out that

Rockefeller's gigantic expansion would not have been possible without the funds advanced to him by the National City Bank and Kuhn Loeb Company.

Miss Tarbell graphically described the poverty in which the workers in Aldrich's factories lived, while he grew orchids in hothouses within sight of the slums. Aldrich had secured Senate approval for the great trusts formed in the last decade of the nineteenth century, and he himself was a partner in two of the largest of these corporations, the tobacco trust formed with Duke as its head, and the rubber trust, led by Rockefeller and Guggenheim. The technical aspects of handling these great mergers were perfected by a brilliant young financier named Bernard Baruch, who was just coming into prominence on Wall Street.

Harper's Weekly of May 7, 1910, editorially commented that "Finance and the tariff are reserved by Nelson Aldrich as falling within his sole purview and jurisdiction. Mr. Aldrich is endeavoring to devise, through the National Monetary Commission, a banking and currency law. A great many hundred thousand persons are firmly of the opinion that Mr. Aldrich sums up in his personality the greatest and most sinister menace to the popular welfare of the United States. Ernest Newman recently said 'What the South visits on the Negro in a political way, Aldrich would mete out to the mudsills of the North, if he could devise a safe and practical way to accomplish it'."

The Aldrich Plan was a safe and practical way to accomplish the desires of Aldrich and his class, as was the Federal Reserve Act. Aldrich was a dictator of the banker type which the Communists during the 1920's were to make immortal, the "bloated capitalist" of whom J. P. Morgan became the symbol. The organizers of the trusts had completed most of their work in the previous twenty years, and it was up to them now to secure their gains. This could be done only through control of money and credit, for, under our financial system, ownership of the

trusts could not be maintained if somebody came along with more money to buy them. Rubber, steel, heavy industry, railways, and public communications were securely in the hands of a few family dynasties, as Ferdinand Lundberg proved in his authoritative work, *America's Sixty Families*. The Guggenheims, Seligmans, Schiffs, Warburgs, Baruchs, Lehmans, and their satellites controlled banking and politics. It was certain that the power of these trusts could be attacked in only two ways: by uncontrolled money, and by uncontrolled popular movements which might gain a majority in Congress and force the oligarchy to give way. Thus, the movement for monetary reform coincided with the great reform movement which was designed to corral and emasculate any popular protests against the international elements. Theodore Roosevelt provides an excellent example of this, accepting $500,000 in campaign funds from Schiff and Morgan in 1904 while he was stomping up and down the country bellowing about what he was going to do to the trusts. The trusts survived his term of office.

The Sherman Antitrust Act and the Clayton Antitrust Act were written by the oligarchy for the oligarchy, to prevent anyone else from breaking into the circle after things had been set up. The result of these "antitrust" laws has been to render the big corporations secure from popular interference. Thurman Arnold writes in *The Folklore of Capitalism* that:

"The antitrust laws were the greatest encouragement to the forming of the great corporations."

This was due to the fact that only the giant aggregations of corporate interests could survive the legal entanglements created by government legislation. Small outfits, unable to afford the services of a large legal and administrative staff, were forced to sell out to the trusts. A new profession, that of corporation lawyer, sprang up to devise ways to make the government helpless to regulate the trusts. The Attorney General could bring suit against a corporation to

dissolve a "conspiracy in restraint of trade," but, by the time he had secured a court order and begun legal action, the corporation's lawyers would have worked out a new and more foolproof organization. Also, the Attorney General's dissolution of corporations and their subsequent reforming was usually a highly profitable event for the owners. Such a reforming meant that the stocks of the old corporation could be manipulated on Wall Street while action was pending, and the forming of a new organization meant a large issue of stock, most of which would be overcapitalization, so the net result of a Department of Justice action against a corporation often meant the reaping of more millions of dollars for the interests which the government pretended to attack.

The era of the trust as a dynamic political force had been inaugurated in 1890, when New Jersey passed a law permitting corporations holding incorporations in New Jersey to hold the stock of other corporations, thus permitting the abuse of interlocking directorates, which allow a few men to exercise direct control in many corporations, some of which are supposedly competitors.

The farcical nature of the "reform Presidents" is shown by the record of the first of them, Theodore Roosevelt, who has been nicknamed, perhaps derisively, as the "trust-buster." His friend and financial adviser Colonel Ely Garrison remarks in his memoirs that "Wall Street had no cause for hysteria at the election of Theodore Roosevelt, for any serious student of history knows that the Department of Justice's investigations of Northern Securities and Standard Oil (both Kuhn-Loeb Company enterprises) were initiated before Roosevelt's election and carried on without his approval."

Theodore Roosevelt also hated the writers who were doing factual research into the activities of the trusts, people like Upton Sinclair, Ida Tarbell, and Frank Norris. It was his private secretary, William Loeb, Jr., who coined the name "muckraker" for them.

The reform movement, although principally bought out and corrupted, was not without honest spokesmen in Congress. Chief among them were Senator LaFollette of Wisconsin in the Senate, and Congressman Charles Augustus Lindbergh of Minnesota in the House of Representatives. Both of these men attacked the Aldrich Plan as a "Wall Street Plan," and through their forceful speeches attracted the people's interest in the doings of the money trust. Their charges eventually resulted in the Pujo Committee Hearings, a Gilbert and Sullivan investigation of the New York bankers at which neither Lindbergh nor LaFollette was invited to officiate or to appear.

Jacob Schiff, senior partner of Kuhn, Loeb Company had said in a speech before the Chamber of Commerce of New York, shortly before the Panic of 1907:

"Unless we have a central bank with adequate control of credit resources, this country is going to undergo the most severe and far-reaching money panic in its history." The powerful banker's threat soon became a reality. The Panic of 1907, which occurred in a good crop year, when industry was productive and the country enjoyed a general prosperity, aroused public indignation and forced Congress to take a token action against a recurrence by passing the Aldrich-Vreeland Act of 1908. This Act provided for the issuance of currency against securities in case of another money panic. Its provisions were put in use only during the last months of its being, in the early part of 1914, when the sudden withdrawal of large sums of European gold from this country, occasioned by the beginning of the First World War, caused a temporary money stringency. The Federal Reserve Act, although already law, was not yet in operation, and the Aldrich-Vreeland Act was used as the basis for issuing $400 million to cover a loan due the firm of J. P. Morgan Company from the Bank of England.

The real purpose of the Aldrich-Vreeland Act was the creation of a National Monetary Commission. Any prospective monetary legislation coming to Congress in the next

few years would have to be referred to this body, which effectively prevented the public indignation from manifesting itself in any constructive form. Two years and $300,000 later, under the leadership of Sen. Nelson Aldrich, the National Monetary Commission advanced Paul Warburg's Federal Reserve Plan under the name of the Aldrich Plan.

On March 2, 1911, the New York Chamber of Commerce officially adopted a plan of its Special Currency Committee, of which Paul Warburg was then Chairman, for a Central Reserve Bank. This was the same as the Aldrich Plan, except for the distribution of reserves. This plan openly provided for the centralized reserves to be kept in New York, and was immediately branded as the official Wall Street plan, to divert attention from the Wall Street sympathies of the Aldrich Plan.

The campaign for the Aldrich Plan was sincere, in that Aldrich and its supporters in the Republican Party honestly believed that they could win with it and get it enacted into law. More than likely they could have, had they had anyone less notorious than Nelson Aldrich as its head. The Federal Reserve Act, the official platform of Woodrow Wilson and the Democratic Party in 1912, was in all its essentials the same plan for a central bank, and was promoted by the same New York banking interests. It was an alternate stratagem which made it impossible for the bankers to lose. No matter who won the election, they would get their central bank.

The propagandists for the Aldrich Plan carried on their fight without regard for opposition, as evidenced by the following testimony of Andrew Frame, member of the Executive Committee of the American Bankers' Association, testifying before the House Banking and Currency Committee in 1913. Andrew Frame represented a group of Western bankers who were relatively free from the domination of the New York money market, and who were traditionally an opposition group in the American Bankers' Association:

CHAIRMAN CARTER GLASS: Why didn't the Western bankers make themselves heard when the American Bankers' Association gave its unqualified, and, we are assured, unanimous approval of the scheme proposed by the National Monetary Commission?

ANDREW FRAME: I'm glad you called my attention to that. When that monetary bill was given to the country, it was but a few days previous to the meeting of the American Bankers' Association in New Orleans in 1911. There was not one banker in a hundred who had read that bill. We had twelve addresses in favor of it. General Hamby of Austin, Tex., wrote a letter to President Watts asking for a hearing against the bill. He did not get a very courteous answer. I refused to vote on it, and a great many other bankers did likewise.

MR. BULKLEY: Do you mean that no member of the Association could be heard in opposition to the bill?

ANDREW FRAME: They throttled all argument.

MR. KINDRED: But the report was given out that it was practically unanimous.

ANDREW FRAME: The bill had already been prepared by Senator Aldrich and presented to the executive council of the American Bankers' Association in May, 1911. As a member of that council, I received a copy the day before they acted upon it. When the bill came in at New Orleans, the bankers of the United States had not read it.

MR. KINDRED: Did the presiding officer simply rule out those who wanted to discuss it negatively?

ANDREW FRAME: They would not allow anyone on the program who was not in favor of the bill.

CHAIRMAN GLASS: What significance has the fact that at the next annual meeting of the American Bankers' Association held at Detroit in 1912, the Association did not reiterate its endorsement of the plan of

the National Monetary Commission, known as the Aldrich scheme?

ANDREW FRAME: It did not reiterate the endorsement for the simple fact that the backers of the Aldrich Plan knew that the Association would not endorse it. We were ready for them, and they did not bring it up.

Andrew Frame was an honest American banker with no international allegiances, and his testimony received little attention from Carter Glass, who was looking for New York capital to finance his Lynchburg Steel Company. Therefore, Chairman Carter Glass called before the House Committee one of the ten most powerful bankers in America, and one about whom least is known, George Blumenthal, partner of the international banking house of Lazard Freres and brother-in-law of Eugene Meyer, Jr.

Glass effusively welcomed George Blumenthal, saying that "Senator O'Gorman of New York was kind enough to suggest your name to us." O'Gorman figured a year later in preventing a Senate Committee from asking his master, Paul Warburg, any embarrassing questions before appointing Warburg the first Governor of the Federal Reserve Board.

George Blumenthal stated that "Since 1893 (the year of the great Schiff-inspired panic) my firm of Lazard Freres has been foremost in importations and exportations of gold and has thereby come in contact with everybody who had anything to do with it."

Congressman Taylor asked him, "Have you a statement there as to the part that you have had in the importation of gold into the United States?" Taylor asked this because the Panic of 1893 is known to economists as a classic example of a money panic caused by gold movements.

"No," replied George Blumenthal, "I have nothing at all on that, because it is not bearing on the question."

Blumenthal was quite right. The question was whether Congress could deliver over the American people, lock, stock, and barrel into the hands of the international financiers, and it was a waste of time to discuss the past crimes of the bankers. They wanted the Federal Reserve Act to provide a government agency which would back them up and help them promote their illegal schemes, and this it has done.

Marriner Eccles, who was Governor of the Federal Reserve Board for the duration of the Roosevelt regime, 1933-45, recently published his autobiography, *Beckoning Frontiers,* an inspiring title of which the book is a complete refutation, for he pleads to close up frontiers and opportunities for individualism. Like his querulous dictator, F. D. Roosevelt, Marriner Eccles hated freedom. Eccles in this book makes a lengthy presentation of his favorite theory, the compensatory economy.

The compensatory economy provides that when bankers and speculators clean out the people and bring them to their knees, government agencies shall step in and help them up so that they can be fleeced again. This is the function of such agencies as the Securities and Exchange Commission, Reconstruction Finance Corporation, and dozens of others. The theory of the compensatory economy supplants all morality in public life, and is responsible for much corruption of officials in Washington. Thus, also, the predilection of the international bankers for putting ignorant provincials into key positions is not an idle fancy, and is perhaps reason for much incessant publicity for democracy. It suits the international that public officials should be of the stupidest type, and the guise of democracy effectively controls them.

During the 1920's, the role of the Federal Reserve System and of the Governors of the Federal Reserve Board was nothing more than influential bond salesmanship for such firms as J. & W. Seligman Company and Kuhn, Loeb Company of New York. Albert Strauss, partner of J. & W.

Seligman, was a Governor of the Board in the 1920's, and under his capable leadership (he was with Baruch at Paris in 1919), the System made it possible for the New York bankers to sell those foreign bonds by its easy money policies which it followed throughout the 1920's. At no time during these years did the System exercise its delegated responsibilty of protecting the American bond purchaser by warning him that the bonds were being issued on poor or nonexistent collateral.

Edward B. Vreeland, New York subway owner and co-author of the Aldrich-Vreeland Act of 1908, wrote in the August 25, 1910, *Independent* (owned by Aldrich) that "Under the proposed monetary plan of Senator Aldrich, monopolies will disappear, because they will not be able to make more than four per cent interest, and monopolies cannot continue at such a low rate. Also, this will mark the disappearance of the government from the banking business."

Just what Mr. Vreeland meant by the government getting out of the banking business is not clear, unless he meant that in the future the government would have to pay rent on its own credit, or that the government's credit would be turned over to private individuals to use for their own profit, in the classic tradition of the central bank. The $145 million worth of stock sold in the Federal Reserve banks in 1914 was worth, 35 years later, more than $45 billion. It was certainly worth somebody's time and effort to get the government out of the banking business.

Nation Magazine of January 19, 1911, noted that "The name of Central Bank is carefully avoided, but the 'Federal Reserve Association,' the name given to the proposed central organization, is endowed with the usual powers and responsibilities of a European Central Bank."

After the National Monetary Commission had returned from Europe, it held no official meetings for nearly two years, nor did it ever offer any records or minutes showing

who had written the Aldrich Plan. Since they had held no meetings, the members of the Commission could hardly claim the Plan as their own. The sole tangible result of the Commission's $300,000 expenditure was a library of thirty massive volumes on European banking, none of which directly engaged the financial problems of the United States. Typical of these works is the thousand page history of the Reichsbank, the central bank which controlled money and credit in Germany, and whose principal stockholders were Paul Warburg's family house of M. M. Warburg Company. The Commission's records show that it rarely functioned as a deliberative body. Senator Cummins passed a resolution in Congress ordering the Commission to report on January 8, 1912, and show some constructive result of its three years' work. In the face of this challenge, the National Monetary Commission ceased to exist.

The Aldrich Plan received sound opposition from such writers as Wilbur L. Stonex, who said, in the *North American Review* of September, 1911:

> Senator Aldrich would take from the people and give to the bankers the absolute control of the people's money. It is apparent that in such a body of bankers there would be no opportunity for the people, or their representatives, to make their wishes known effectively, if their wishes conflicted with those of the banking interests.

It is significant that the *North American Review,* like many other periodicals which criticized the aims and purposes of the international bankers, has disappeared from the American scene, while other periodicals, like the *Nation,* have had to change their tune, and favor the international bankers, after Maurice Wertheim of Hallgarten Company bought control of its stock.

This history of the Federal Reserve Board since 1914 shows that there has never been a method or opportunity for a citizen to protect his interests when the Board has decided upon a change of policy in the interest rate or in

their open market operations. Carter Glass fought all efforts to exclude or limit membership of bankers on the Board of Governors of the System, and he was abetted in this effort by Cordell Hull and other powerful Democratic Congressmen in 1913. Glass pointed out that if some of the restrictions of members of the Board were enacted, we would be turning over supervision of our banks to mechanics and farm laborers. Glass' horror at this idea is somewhat strange, since a number of mechanics and farm laborers voted to send him to Congress again and again for 30 years. Also, mechanics in their unions and farm laborers in cooperative associations have done about as good a job in keeping up their credit as have most American bankers.

Congressman Charles A. Lindbergh of Minnesota was one of the most forceful speakers against the Aldrich Plan. He said on the floor of the House of Representatives on December 15, 1911:

> The Aldrich Plan is the Wall Street Plan. It is a broad challenge to the government by the champion of the money trust. It means another panic, if necessary, to intimidate the people. Aldrich, paid by the government to represent the people, proposes a plan for the trusts instead. It was by a very clever move that the National Monetary Commission was created. In 1907 nature responded most beautifully and gave this country the most bountiful crop it had ever had. Other industries were busy, too, and from a natural standpoint all the conditions were right for a most prosperous year. Instead, a panic entailed enormous losses upon us. Wall Street knew the American people were demanding a remedy against the recurrence of such a ridiculously unnatural condition. Most Senators and Representatives fell into the Wall Street trap and passed the Aldrich-Vreeland Emergency Currency Bill. But the real purpose was to get a monetary commission which would frame a proposition for amendments to our currency and banking laws which would suit the money trust. The interests are now very busy everywhere educating the people in favor of the Aldrich Plan. It is reported that a large sum of money has

> been raised for this purpose. Wall Street speculation brought on the Panic of 1907. The depositors' funds were loaned to gamblers and anybody the money trust wanted to favor. Then when the depositors wanted their money, the banks did not have it. That made the panic.

SAMUEL UNTERMYER

The speeches and writings of Senator LaFollette and Congressman Lindbergh had become rallying points for opposition to the Aldrich Plan in 1912. They had also aroused popular feeling against the power of the money trust, so that Congress was forced to consider taking action. Congressman Lindbergh said:

> The government prosecutes other trusts, but supports the money trust. I have been waiting patiently for several years for an opportunity to expose the false money standard, and to show that the greatest of all favoritism is that extended by the government to the money trust.

Senator LaFollette made a speech charging that a money trust of 50 men controlled the nation. George F. Baker, partner of J. P. Morgan, on being queried by reporters as to the truth of this sensational accusation, replied that it was absolutely in error. He said that he knew personally that not more than eight men ran this country.

Nation Magazine replied editorially to Senator LaFollette that:

"If there is a money trust, it will not be practical to establish that it exercises its influence either for good or for bad."

The editors of the *Nation* apparently had never heard of the Panic of 1907. However, it certainly was not practical to establish the power of the money trust. Senator La-Follette remarks in his *Memoirs* that that speech cost him the Presidency of the United States, just as Woodrow Wil-

son's speech in favor of the Aldrich Plan had brought him at once to consideration for that office.

Despite the *Nation's* high-minded detachment, there did seem to be plenty of evidence that the money trust exercised its influence for bad. Not only was it despoiling the natural resources of the United States at a rapid rate, but it was not above the most ruthless application of gangster tactics in politics.

Congress finally made a gesture of appeasing popular feeling by appointing a committee to investigate the control of money and credit in the United States. This was the Pujo Committee, which conducted the famous "money trust" hearing in 1912, under the leadership of Congressman Arsene Pujo of Louisiana.

The testimony given at these hearings, which dragged on for five months, made four volumes of some 6,000 pages. The bankers, month after month, made the train trip down to Washington from New York, testified before the Committee, and returned to New York. The hearings were extremely dull, and those who had expected that much startling information would be turned up at these examinations were disappointed. The bankers solemnly agreed that they were bankers, insisted they operated in the public's interest, and claimed that they were animated by the highest ideals of public service, like the Congressmen. Insofar as the hearings were concerned, this seemed to be true. The bankers were asked few questions which were embarrassing, and nothing was brought out which the public might have been excited by. The newspapers played up the hearings, carrying headlines each day about the money trust, but the paragraphs below the headlines had little in them that was interesting.

The nature of the hearings may be better understood if we look at the man who single-handedly carried on the entire investigation, Samuel Untermyer. He was also one of the main contributors to Woodrow Wilson's campaign

fund. Untermyer was one of the wealthiest corporation lawyers in New York. He states in his autobiography in *Who's Who in American Jewry* of 1926, that he once received a $775,000 fee for a single legal transaction, the carrying through of the merger of the Utah Copper Company and the Boston Consolidated and Nevada Company, a firm which had at that time a market value of more than a hundred million dollars. A man who could make nearly a million dollars in one operation would not be likely to attack sincerely the wealthy men of his own class.

Neither Lindbergh nor LaFollette, who were responsible for the money trust hearings, was asked to testify or aid in the investigation. A great deal of favorable publicity accrues to politicians associated with such hearings, and the bankers did not wish either of these men to be noticed by the public.

Samuel Untermyer was Special Counsel for the Pujo Committee. The congressional members of the committee, including its chairman, Arsene Pujo, seem to have been struck dumb from the moment of the hearings' commencement to their conclusion. An examination of the thousands of pages of minutes reveals that these eleven Congressmen did not ask a dozen questions apiece during the months of investigation. One of these silent servants of the public was James Byrnes, of South Carolina, who later achieved fame as Bernard Baruch's man in charge of the Office of War Mobilization during the Second World War.

Such delicate subjects as the system of interlocking directorates by which a few bankers controlled the nation's finance and heavy industry were not gone into at the Pujo Committee hearings, nor did Samuel Untermyer see fit to dwell upon such items as international gold movements (the cause of money panics), or the international relationships between American bankers and European bankers. The international banking houses of Eugene Meyer, Lazard Freres, J. & W. Seligman, Speyer Brothers, M. M. Warburg, and the Rothschild Brothers, did not arouse Mr. Un-

termyer's curiosity, although it was known that all of these family banking houses either had branches or controlled banking houses in New York City. When Jacob Schiff appeared before the committee, Mr. Untermyer's adroit questioning allowed Schiff to talk for some minutes without revealing any information about the banking house of Kuhn, Loeb Company, which Sen. Robert L. Owen had defined as the representatives of the European Rothschilds in New York.

The aging J. P. Morgan, with only a few more months to live, came before the committee to justify a half century of financial piracy. He stated for Mr. Untermyer's edification that "money is a commodity." Mr. Untermyer did not quarrel with that statement.

J. P. Morgan also declared that, in making a loan, he always considered a man's character before any other factor; even the man's collateral or his ability to repay were not as important. This astonishing observation startled the blase members of the committee. Here was a banker who began his career by swindling his own government. He sold faulty rifles to the Union Government at a great profit during the Civil War, collecting his money from the Treasury before he paid for his original purchase. He was charged with defrauding the United States. In 1895, he forced President Grover Cleveland to purchase a hundred million dollars worth of gold from the Rothschild Brothers after threatening to paralyze the country with another money panic. Mr. Untermyer, however, did not touch upon these incidents in the great man's career.

The farce of the Pujo Committee finally ended. The country was convinced that the New York bankers did have a monopoly on the nation's money and credit. However, the bankers and their subsidized newspapers claimed that the only way to break that monopoly was to enact the banking and currency legislation then before Congress, the bill which was to be passed in the following year as the Federal Reserve Act. The New York monopoly was to be

broken by turning over administration of the System to the most powerful of the New York bankers, Paul Warburg.

WOODROW WILSON

The Pujo Committee was the last important publicity which the Federal Reserve Act received before being passed in December, 1913. The man who signed it was President Woodrow Wilson, who therefore is thought to be its author. Wilson was elected President of the United States in 1912 on a monetary reform platform. He promised the people of this country that he would give them a money and credit law which would be free from Wall Street influence. At last, he declared, our citizens were going to enjoy the benefits of their own credit, as Thomas Jefferson had intended and provided for in the Constitution.

However good were Woodrow Wilson's intentions, he was limited by the fact that he had been put into office by the biggest Wall Street banking house of them all, Paul Warburg's firm of Kuhn, Loeb Company. His campaign for the Presidency had been entirely financed by Cleveland H. Dodge, of Kuhn, Loeb's National City Bank; Jacob Schiff, senior partner in Kuhn, Loeb Company; Henry Morgenthau, Sr.; Bernard Baruch; and Samuel Untermyer. With such a background, as well as his earlier speeches in favor of the Aldrich Plan and his outspoken reverence for J. P. Morgan, the new, everyman's Woodrow Wilson smacked of ineffectuality, if not downright hypocrisy.

Woodrow Wilson appeared before the people during his campaign with a monetary reform bill written by H. Parker Willis, and officially sponsored by the Democratic Party. A study of this new bill revealed a remarkable similarity to the Aldrich Plan. The more idealistic, and, to the bankers, unrealistic provisions of the bill, providing for others than bankers to administer it, were soon deleted by Carter Glass' House Banking and Currency Committee.

Despite the apparently clean background of the Demo-

cratic Party's bill, known as the Federal Reserve Act, it was not favorably received by the country at large, and some newspapers were unkind enough to point out its close kinship to the discredited Aldrich Plan. With such popular opposition already manifesting itself against the people's choice, Woodrow Wilson, Congress did not wish to pass the bill. It required all the political strength of William Jennings Bryan, the dominant power in the Democratic Party, to get Congress to pass the Act.

The Federal Reserve Act, although it was a brother to the Aldrich Plan, was ballyhooed as a people's plan. It promised the American people everything. First of all, it promised to liberate the farmer from his yearly needs for credit to get his crops harvested and send them to market. Heretofore, he had had to go to the bank and mortgage his property for that money. According to the Act's proponents, he could get plenty of credit at the Reserve bank. This was a bid to get the National Granges to come out in favor of the bill, but they did not rise to the bait. They refused to endorse it, pointing out that its control techniques were not likely to benefit anybody but the bankers, and this was proved when the Federal Reserve System caused the Agricultural Depression of 1920-21.

The next benefit of the Federal Reserve Act, it was claimed, was that it would stabilize the monetary unit and give the dollar a consistent and balanced purchasing power. This was the provision insisted upon by Sen. Robert L. Owen, co-author of the Owen-Glass Act, as the Federal Reserve legislation was known in Congress. Glass struck out this stabilization provision. Senator Owen later wrote:

"I was unable to keep this mandatory provision in the bill because of the secret hostilities developed against it, the origin of which at that time I did not fully understand."

The Federal Reserve Act as signed by Woodrow Wilson contained no stabilization mechanism, but it did contain plenty of factors which would make stabilization impossible.

Its manipulation of the discount rate to vary the amount of money in circulation, and its open market operations, dumping quantities of Government securities on the New York Exchange or withholding them to create credit expansion or contraction, were the conditions directly responsible for the greatest disaster this country has ever suffered, the Great Depression of 1929-39.

The hostility of the influences behind the Federal Reserve Act towards any kind of monetary stabilization has been expressed in the official publications and statements of the Governors. Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System, issued a memorandum March 13, 1939, stating that:

"The Board of Governors of the Federal Reserve System opposes any bill which proposes a stable price level."

Another bit of propaganda for the Federal Reserve Act in 1913 was the claim that it would perform many banking services for the government without charge. At the Senate OPA hearings in 1941, Rep. Wright Patman inquired of Marriner Eccles:

"Governor Eccles, when did the Federal Reserve System start charging the government agencies a service charge?"

"I really could not say," replied Mr. Eccles.

"Wasn't it intended when the Federal Reserve Act was passed that the Federal Reserve Bank would render this service without charge—since under the Act the government would give them the use of the government's credit free?" asked Mr. Patman.

"I wouldn't think so," answered Mr. Eccles.

To get the Federal Reserve Act made into law, the main lie used in the flood of speeches and writings poured out in favor of it was the claim that the nation's money and credit would be released from the domination of a few Wall Street bankers. The findings of the Pujo Committee

were used to frighten the people into submitting to the monetary monster which had them at its mercy. You have got to save yourselves, the spokesmen for the Federal Reserve Act declared, and your savior is this Federal Reserve System. These spokesmen, led by Rep. Carter Glass of Virginia, said that they had devised the perfect way to emasculate the power of Wall Street, namely, the regional Reserve System, which would divide the country up into eight or twelve Reserve bank districts, depending on whether Mr. Glass or Mr. Warburg made the final choice. Each of these districts would have equal power and equal representation in the administration of the entire Reserve System. It was a completely democratic and almost perfect solution. Under the Glass (or Warburg) proposal, Kansas City or Denver would have as much control over the nation's money and credit as New York.

There was only one thing wrong with Glass' system. It ignored the fact that the nation's money market was in New York. Even Marriner Eccles knew that, for he stated at the OPA hearings that:

"New York is the only money market you have in this country." This meant that these other reserve banks would have to go to the Federal Reserve Bank of New York whenever they wanted anything, and that they would have to follow the wishes of the Governor of that bank. Consequently, the Federal Reserve System was to fall into the hands of two men during the first 15 years of its existence, Paul Warburg of Kuhn, Loeb Company, and Benjamin Strong of J. P. Morgan Company; both of these men were at Jekyll Island when the banking legislation had been written, and both of them knew how to control it. Warburg was on the Board of Governors for four years, and for the ten years after that he dominated the Board by his position as President of the Federal Advisory Council and as President of the American Acceptance Council. Benjamin Strong was Governor of the Federal Reserve Bank of New York from its opening in 1914 until his death in 1928,

during a congressional investigation of the System. That is how Woodrow Wilson freed the nation's money and credit from New York bankers. The regional Reserve System could not be anything but a farce. It was designed solely to convince the American people that control of our financial resources was being taken out of Wall Street hands, and, once that was done, the Congressmen could vote for the Federal Reserve Act without fear of reprisal from their constituents.

A Democratic President and a Democratic Congress had been elected in 1912 to get this bill through. Rep. Carter Glass of Virginia, Chairman of the House Banking and Currency Committee, gets credit along with Wilson for finally passing the Act, although all that Wilson did was to sign on the dotted line. Woodrow Wilson was regarded generally by the leaders of the Democratic Party as a newcomer and a stuffed shirt. Consequently, he enjoyed little power as President except for the patronage powers he possessed. He could do little towards actually getting Congress to pass the Federal Reserve Act. That job was done by the man who was the Democrat in the minds of the American people, William Jennings Bryan. He acted as Democratic whip to get the Act passed, and he was rewarded by being made Secretary of State. He later wrote that:

"In my long political career, the one thing I genuinely regret is my part in getting the banking and currency legislation enacted into law."

To confuse the American people still further and to blind them to the real purpose of the Federal Reserve Act, the chief proponents of the Aldrich Plan, Sen. Nelson Aldrich and Frank Vanderlip, set up an enthusiastic hue and cry against the bill. They gave interviews to reporters and politicians, anywhere they could find an audience, denouncing the Democratic Party's banking legislation as inimical to bankers and to good government. The old issue of inflation was raised because of the Act's provisions for printing Federal Reserve Notes. Both Aldrich and Vanderlip spoke

against "fiat money," that is, enough money being put into circulation to assure proper distribution of goods and services among the people. Indeed such was their enthusiasm in speaking against the Federal Reserve Act that they reversed themselves on several matters they had already plugged for in the Aldrich Plan, which brings to mind my grandfather's adage that "liars should have good memories."

The *Nation,* on October 23, 1913, pointed out that:

> Mr. Aldrich himself raised a hue and cry over the issue of government "fiat money," that is, money issued without gold or bullion back of it, although a bill to do precisely that had been passed in 1908 with his own name as author, and he knew besides, that the "government" had nothing to do with it, that the Federal Reserve Board would have full charge of the issuing of such moneys.

The *Nation* was the only public organ, so far as I can find out, which pointed out that the issue of the money of the United States was being turned over to a body of men who were neither elected nor answerable to electors. Later, under Maurice Wertheim, it no longer pointed such criticisms. Aldrich and Vanderlip, in attacking the Federal Reserve Act on these grounds, were throwing up a smoke screen to make people think that the big bankers were afraid of the Act. Paul Warburg discreetly remained silent during the campaign for and against this legislation. He had already arranged, through his private emissary to President Wilson, the ubiquitous Colonel House, that if the Act were passed, Warburg would be chosen one of the first Governors.

Frank Vanderlip, however, threw himself into the comedy with such gusto that Sen. Robert L. Owen, chairman of the Senate Banking and Currency Committee, openly accused him of carrying on a campaign of misrepresentation about the bill, as indeed he was. Owen pointed out that Vanderlip, President of the National City Bank of

New York, was objecting to just those provisions in the Reserve Plan which he had fought for in the Aldrich Plan. Had Senator Owen known that both plans had originated during the secret expedition to Jekyll Island, he might have been even more vehement in denouncing Mr. Vanderlip. The first public reference to the Jekyll Island adventure, however, was not to appear for three more years, and no one in Washington mentioned it.

Practically all the newspapers and magazines which had any considerable circulation favored the Federal Reserve Act. No economic journal dared to compare the Act with the Aldrich Plan, but such a comparison would show that on most matters, including the introduction of trade acceptances into this country, there was no appreciable difference between the two plans, nor should there have been, since they were written by the same people. The editorial comments in 1913 agreed that if this bill became law, we would enter upon a period of general prosperity such as we had never known. The other extravagant claims for the Federal Reserve Act, its supposed benefits to the farmers, its purpose of stabilizing the integer of account (monetary unit), its functions of performing banking services for the national government without charge, and our complete emancipation from Wall Street domination, all have been shown to be lies by the events of the past 35 years. The Federal Reserve System has done none of these things, but the biggest lie was that it would end money panics and business depressions. We were to have no more bank failures, no more farms seized by mortgage holders, no more factories closing down or unemployment. The Federal Reserve System could have done a great deal towards ending these things, but it has exerted its influence in the opposite direction.

The record of the Federal Reserve System proves that it doublecrossed the farmers of America at a secret meeting on May 18, 1920, when it raised the rate to 7 per cent on agricultural paper and precipitated the Agricultural De-

pression of 1920-21. It proves that the Board of Governors met with the heads of the great European central banks to make agreements which brought on the Great Depression of 1929-39, after most of our money had been poured into Wall Street because of the easy money policies and credit expansion activities of the System. It proves that the central bank mechanism of the Federal Reserve System involved us in the First World War and the Second World War, and that it is making the Third World War inevitable.

CARTER GLASS

Despite the growing publicity for the Federal Reserve Act and the influence of William Jennings Bryan on the Democratic Congress, many Senators and Representatives who were familiar with the banking and currency legislation's import were not yet willing to wreck the Constitution and double-cross their constituents by voting for such a bill. The Senate Banking and Currency Committee was ready to write its own version of the Owen-Glass Bill which Rep. Carter Glass, Chairman of the House Banking and Currency Committee, was ready to send them, but Owen's contribution to the bill, the stabilization of the monetary unit (integer of account) had already been stricken out of the Act. The hearings before the two committees dragged on for many weeks. Many of the same bankers who had come down from New York to tell all before the Pujo Committee now appeared before Congress to speak in favor of the Federal Reserve Act, a coincidence which the newspapers let pass unnoticed.

Andrew Frame stated before the House Committee that the plan still smacked too much of the government monarchies of Europe, and that it was not in accord with our institutions. This was as close as anybody came to calling the Act unconstitutional, which it was, since it proposed to remove Congress' power of issuing money and credit and turn it over to an appointive body.

Frank Vanderlip declared before the Senate Committee

that he now favored the Act, a second reversal of policy in as many months. He had come to the conclusion, he said, that the plan would proceed along democratic lines, since the President would appoint all Board members for ten year terms.

Senator Weeks inquired of him, "Should the Federal Reserve hearings be public, as these hearings are before this committee?"

"No," replied Mr. Vanderlip, "they are not exactly hearings, they are official meetings." The President of the National City Bank evidently felt that democracy was all right, but that it had to stop somewhere. Carter Glass agreed with him, when he wrote in *Adventure in Constructive Finance* that:

"The meetings of the Federal Reserve Board are bank board meetings, and neither the public or reporters should be present." Neither Vanderlip nor Glass appears to consider the fact that these "bank board meetings" would be making decisions which would have a more important and more direct impact on the welfare of the American people than the decisions of Congress.

Senator Root also raised the charge of inflation, claiming that under the Federal Reserve Act, note circulation would always expand indefinitely, causing great inflation. The history of the Federal Reserve System refutes this charge. The System has, if anything, kept the note circulation below the amount needed to carry on business and commerce in this country, except during the two World Wars, when it did double and triple the circulation. Even after the Great Depression of 1929-39, when so much of the circulating medium had been withdrawn that the American people had to print their own money on wood and paper, the Federal Reserve System did not increase the amount of notes in circulation.

At the House Committee on Banking and Currency Hearings of 1913, Mr. Paul Warburg testified as follows:

> I am a member of the banking firm of Kuhn, Loeb Company. I came over to this country in 1902, having been born and educated in the banking business in Hamburg, Germany, and studied banking in London and Paris, and have gone all around the world. In the Panic of 1907, the first suggestion I made was "Let us get a national clearing house." The Aldrich Plan contains some things which are simply fundamental rules of banking. Your aim in this plan (the Owen-Glass Bill) must be the same—centralizing of reserves, mobilizing commercial credit, and getting an elastic note issue.

Paul Warburg was the most clever of the important New York bankers. In all his writings and speeches and testimonials before Congress, he never made a misstatement. For instance, he did not bother to mention at this appearance that the banking business he had been brought up in in Hamburg, Germany, was his own family banking house of M. M. Warburg Company, a fact which might have been brought up later when he was nominated for the Board of Governors of the Federal Reserve System. Warburg's term "mobilization of credit" was no accident, for the First World War was due to begin in a few months, and the first big job of the System would be to finance the Allies in their war against Germany.

Leslie Shaw, banker from Philadelphia, dissented with most of the other witnesses at these hearings when he testified that:

> Under the Aldrich Plan the bankers are to have local associations and district associations, and when you have a local organization, the centered control is assured. Suppose we have a local association in Indianapolis; can you not name the three men who will dominate that association? And then can you not name the one man who will dominate the three? The same is true in Richmond and everywhere else. When you have hooked the banks together, they can have the biggest political influence of anything in this country, with the exception of the newspapers.

Mr. Shaw did not know that many newspapers were already owned by or mortgaged to, big banks, or that Frank Munsey, agent for J. P. Morgan Company sometimes bought newspapers to promote a single big stock issue, and sold these periodicals as soon as the stock was unloaded.

The most fiery of the opponents to the Federal Reserve Act was a lawyer from Cleveland, Ohio, named Alfred Crozier, who was the most outspoken critic of the Wall Street banking fraternity. He had written a book in 1912 entitled *U.S. Money vs. Corporation Currency,* which attacked the Aldrich-Vreeland Act of 1908 as a Wall Street instrument and pointed out that when our government had to issue money based on privately owned securities, we were no longer a free nation. The Federal Reserve System allowed the issue of notes on the privately owned shares of the Federal Reserve Banks.

Crozier suggested to the Senate Committee that:

> It should prohibit the granting or calling in of loans for the purpose of influencing quotation prices of securities and the contracting of loans or increasing interest rates in concert by the banks to influence public opinion or the action of any legislative body. Within recent months the Secretary of the Treasury of the United States was reported in the open press as charging specifically that there was a conspiracy among certain of the large banking interests to put a contraction upon the currency and to raise interest rates for the sake of making the public force Congress into passing currency legislation desired by those interests. The so-called administration currency bill grants just what Wall Street and the big banks for 25 years have been striving for, that is, PRIVATE INSTEAD OF PUBLIC CONTROL OF CURRENCY. It does this as completely as the Aldrich bill. Both measures rob the government and the people of all effective control over the public's money, and vest in the banks exclusively the dangerous power to make money among the people scarce or plenty. The Aldrich bill puts this power in one central bank. The Administration bill puts it in

twelve regional central banks, all owned exclusively by the identical private interests that would have owned and operated the Aldrich Bank. President Garfield shortly before his assassination declared that whoever controls the supply of currency would control the business and activities of all the people. Thomas Jefferson warned us a hundred years ago that a private central bank issuing the public currency was a greater menace to the liberties of the people than a standing army.

As the House spokesman for the Democratic Party, Rep. Carter Glass took occasion to make public the stormy record of the Republican organization, the National Monetary Commission, in its failure to prepare adequate banking and currency legislation. His House Report in 1913 said:

> Senator MacVeagh fixes the cost of the National Monetary Commission to May 12, 1911, at $207,130. They have since spent another hundred thousand dollars of the taxpayers' money. The work done at such cost cannot be ignored, but, having examined the extensive literature published by the Commission, the Banking and Currency Committee finds little that bears upon the present state of the credit market of the United States. We object to the Aldrich Bill on the following points:
>
> Its entire lack of adequate government or public control of the banking mechanism it sets up.
>
> Its tendency to throw voting control into the hands of the large banks of the system.
>
> The extreme danger of inflation of currency inherent in the scheme.
>
> The insincerity of the bond-refunding plan provided for by the measure, there being a barefaced pretense that this system was to cost the government nothing.
>
> The dangerous monopolistic aspects of the bill.
>
> Our Committee at the outset of its work was met by a well-defined sentiment in favor of a central bank,

which was the manifest outgrowth of the work that had been done by the National Monetary Commission.

Representative Glass' denunciation of the Aldrich Bill as a central bank ignored the fact that his own Federal Reserve System would fulfill all the functions of a central bank, that is, its stock would be owned by private stockholders who could use the government's credit for their own profit, since they would have the privilege of note issue on the government's credit; it would have control of the nation's money and credit resources; and it would finance the government by mobilizing credit in time of war. The Federal Reserve System was acknowledged by economists in 1913 to be a bank of issue like the European central banks.

The Federal Reserve Act as Carter Glass presented it was passed by the House virtually intact. It then went to the Senate Committee on Banking and Currency, where such provisions of the Aldrich Bill as were deemed necessary were restored to it. In the Senate debate on the bill, Senator Stone said on December 12, 1913:

> The great banks for years sought to have and control agents in the Treasury to serve their purposes. Let me quote from this *World* article, "Just as soon as Mr. McAdoo came to Washington, a woman whom the National City Bank had installed in the Treasury Department to get advanced information on the condition of banks, and other matters of interest to the big Wall Street group, was removed. Immediately the Secretary and the Assistant Secretary, John Skelton Williams, were criticized severely by the agents of the Wall Street group."
>
> I myself have known more than one occasion when bankers refused credit to men who opposed their political views and purposes. When Senator Aldrich and others were going around the country exploiting this scheme, the big banks of New York and Chicago were engaged in raising a munificent fund to bolster up the Aldrich propaganda. I have been told by bankers of

> my own state that contributions to this exploitation fund had been demanded of them and that they had contributed because they were afraid of being blacklisted or boycotted. There are bankers of this country who are enemies of the public welfare. In the past, a few great banks have followed policies and projects that have paralyzed the industrial energies of the country to perpetuate their tremendous power over the financial and business industries of America.

The Federal Reserve Act, as altered by the Senate, was finally passed on December 22, 1913, and went to Woodrow Wilson for his signature. Colonel House's connection with Warburg and the Act are revealed in the volume *The Intimate Papers of Colonel House.* This journal contains the following notes:

> Dec. 19, 1912. I talked with Paul Warburg over the telephone regarding the currency reform. I told of my trip to Washington and what I had done there to get it in working order. I told him that the Senate and the Congressmen seemed anxious to do what he desired, and that President-elect Wilson thought straight concerning the issue.

> March 13, 1913. Warburg and I had an intimate discussion regarding currency reform.

> March 27, 1913. Mr. J. P. Morgan, Jr. and Mr. Denny of his firm came promptly at five. McAdoo came about ten minutes afterward. Morgan had a currency plan already printed. I suggested he have it typewritten, so it would not seem too prearranged, and send it to Wilson and myself today.

> Oct. 13, 1913. Paul Warburg was my first caller today. He came to discuss the currency measure. There are many features of the Owen-Glass Bill that he does not approve. I promised to put him in touch with McAdoo and Senator Owen so that he might discuss it with them.

> Nov. 17, 1913. Paul Warburg telephoned about his trip to Washington. Later, he and Mr. Jacob Schiff

> came over for a few minutes. Warburg did most of the talking. He had a new suggestion in regard to grouping the regular reserve banks so as to get the units welded together and in easier touch with the Federal Reserve Board.*

Warburg's plan to get the units welded together was merely an indication of his anxiety to get them under as tight a control as possible. House's papers also reveal that it was he who gave Warburg's name to Wilson as candidate for Governor of the first Federal Reserve Board. Wilson approved the choice because of Warburg's interest and experience in currency problems under both Republican and Democratic administrations.

Woodrow Wilson had been piqued by the consistent opposition to the Federal Reserve Act in Congress, and he was haunted by the fear that he would not be able to deliver the goods to his employers. When the bill finally reached him, on December 23, 1913, he refused at first to sign it, because of the provisions for the selection of Class B Directors. Bernard Baruch, relates William L. White in his biography of that great man, a principal contributor to Wilson's campaign fund, hurried over to the White House and told Wilson it did not matter. That could be fixed up later; the main thing was to get the thing signed into law. With this reassurance, Wilson signed the Federal Reserve

*Colonel House was spoken of by Rabbi Wise in his autobiography, *Challenging Years,* as the unofficial Secretary of State. It would be more appropriate to call House our unofficial President during the Wilson years, for it was House who was representing us at Versailles. When Wilson came over, the European politicians laughed at him for his self-importance. They knew who pulled his strings.
House also writes in his memoirs that he and Wilson knew that in passing the Federal Reserve Act they had created an instrument more powerful than the Supreme Court. The Federal Reserve Board of Governors is a Supreme Court of Finance, and it forced the Supreme Court to its knees in 1935, when the Justices were made to approve the criminal conspiracy of Roosevelt, Morgenthau, and the international gold dealers to alter the price of gold. If the Justices had disapproved, writes Secretary of the Treasury Morgenthau, "We were ready to rush through an alternate policy."

Act on that December 23, 1913. On that day, the Constitution ceased to be the governing covenant of the American people, and our liberties were handed over to a small group of international bankers.

That same day, Representative Moore of Kansas said, on the floor of the House of Representatives:

> The President of the United States now becomes the absolute dictator of all the finances of the country. He appoints a controlling board of seven men, all of whom belong to his political party, even though it is a minority. The Secretary of the Treasury is to rule supreme whenever there is a difference of opinion between himself and the Federal Reserve Board. AND, only one member of the Board is to pass out of office while the President is in office.

The ten year terms of office of the members of the Board, lengthened by the Banking Act of 1935 to FOURTEEN YEARS, meant that these dictators of finance, although not elected by the people, held office longer than any elected official. Now, they hold office longer than three Presidents.

It remained for Congressman Lindbergh to make the final statement on the swindle which had been perpetrated on the American people. Speaking after Representative Moore on that day of December 23, 1913, he said:

> This Act establishes the most gigantic trust on earth. When the President signs this bill, the invisible government by the monetary power will be legalized. The people may not know it immediately, but the day of reckoning is only a few years removed. The trusts will soon realize that they have gone too far even for their own good. The people must make a declaration of independence to relieve themselves from the monetary power. This they will be able to do by taking control of Congress. Wall Streeters could not cheat us if you Senators and Representatives did not make a humbug of Congress. The division of Congress into political parties is a crime. The main object of the bosses in

> *both* political parties is to get offices and grant special favors at the people's expense. This is inherently a national government, and that is why party government is unsuccessful in dealing with economic problems. If we had a people's Congress, there would be stability. The greatest crime of Congress is its currency system. The worst legislative crime of the ages is perpetrated by this banking and currency bill. The caucus and the party bosses have again operated and prevented the people from getting the benefits of their own government.

Lindbergh was overly optimistic in thinking that the trust dictatorship of the United States would last only a few years. The American people have been kept from rising against oppression at home by being sent abroad to fight in two world wars in which we as a people had no immediate political or economic stake. Between wars, two great depressions have kept our people scrambling for their daily bread. They have not had time to object to anything. Lindbergh's theory that party government is unsuccessful in dealing with economic problems could neither be proved or disproved, because party government *has not* dealt with economic problems since the days of Jefferson and Adams. The architects and contrivers of the economic inequalities and instabilities existing in this country are the leaders and owners of the major political parties. They will not move to improve them.

CHAPTER XII

CONGRESSMAN McFADDEN'S SPEECH ON THE FEDERAL RESERVE SYSTEM

Rep. Louis T. McFadden (R-Pa.) rose from office boy to become cashier and president of the First National Bank, Canton, Pa., before being elected to the U.S. Congress. There he served with distinction for 20 years, including 12 years as Chairman of the Committee on Banking and Currency, making him one of the foremost financial authorities in America. Relentlessly he fought for fiscal integrity and a return to constitutional government.

On June 10, 1932, in the midst of the Great Depression, he addressed the House of Representatives. His historic speech was included in his testimony later before the Rules Committee, in connection with his Herculean efforts to obtain a sweeping investigation of the entire Federal Reserve System, and has been widely reprinted since then.

Here for the first time outside the Halls of Congress is the complete text of his powerful and prophetic message, as it appeared on pages 12595-12603 of the *Congressional Record:*

Mr. McFADDEN. Mr. Chairman, at the present session of Congress we have been dealing with emer-

gency situations. We have been dealing with the effect of things rather than with the cause of things. In this particular discussion I shall deal with some of the causes that lead up to these proposals. There are underlying principles which are responsible for conditions such as we have at the present time and I shall deal with one of these in particular which is tremendously important in the consideration that you are now giving to this bill.

Mr. Chairman, we have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve banks. The Federal Reserve Board, a government board, has cheated the Government of the United States and the people of the United States out of enough money to pay the national debt. The depredations and the iniquities of the Federal Reserve Board and the Federal Reserve banks acting together have cost this country enough money to pay the national debt several times over. This evil institution has impoverished and ruined the people of the United States; has bankrupted itself, and has practically bankrupted our government. It has done this through the defects of the law under which it operates, through the maladministration of that law by the Federal Reserve Board, and through the corrupt practices of the moneyed vultures who control it.

Some people think the Federal Reserve banks are United States Government institutions. They are not government institutions. They are private credit monopolies which prey upon the people of the United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. In that dark crew of financial pirates there are those who would cut a man's throat to get a dollar out of his pocket; there are those who send money into states to buy votes to control our legislation; and there are those who maintain an international propaganda for the purpose of deceiving us and of wheedling us into the granting of new concessions which will permit them to cover up their past misdeeds

and set again in motion their gigantic train of crime.

Those 12 private credit monopolies were deceitfully and disloyally foisted upon this country by bankers who came here from Europe and who repaid us for our hospitality by undermining our American institutions. Those bankers took money out of this country to finance Japan in a war against Russia. They created a reign of terror in Russia with our money in order to help that war along. They instigated the separate peace between Germany and Russia and thus drove a wedge between the allies in the World War. They financed Trotsky's mass meetings of discontent and rebellion in New York. They paid Trotsky's passage from New York to Russia so that he might assist in the destruction of the Russian Empire. They fomented and instigated the Russian revolution and they placed a large fund of American dollars at Trotsky's disposal in one of their branch banks in Sweden so that through him Russian homes might be thoroughly broken up and Russian children flung far and wide from their natural protectors. They have since begun the breaking up of American homes and the dispersal of American children.

It has been said that President Wilson was deceived by the attentions of these bankers and by the philanthropic poses they assumed. It has been said that when he discovered the manner in which he had been misled by Colonel House, he turned against that busybody, that "holy monk" of the financial empire, and showed him the door. He had the grace to do that, and in my opinion he deserves great credit for it.

President Wilson died a victim of deception. When he came to the Presidency, he had certain qualities of mind and heart which entitled him to a high place in the councils of this Nation; but there was one thing he was not and which he never aspired to be; he was not a banker. He said that he knew very little about banking. It was, therefore, on the advice of others that the iniquitous Federal Reserve Act, the

death warrant of American liberty, became law in his administration.

Mr. Chairman, there should be no partisanship in matters concerning the banking and currency affairs of this country, and I do not speak with any.

In 1912 the National Monetary Association, under the chairmanship of the late Senator Nelson W. Aldrich, made a report and presented a vicious bill called the National Reserve Association bill. This bill is usually spoken of as the Aldrich bill. Senator Aldrich did not write the Aldrich bill. He was the tool, but not the accomplice, of the European-born bankers who for nearly 20 years had been scheming to set up a central bank in this country and who in 1912 had spent and were continuing to spend vast sums of money to accomplish their purpose.

The Aldrich bill was condemned in the platform upon which Theodore Roosevelt was nominated in the year 1912, and in that same year, when Woodrow Wilson was nominated, the Democratic platform, as adopted at the Baltimore convention, expressly stated: "We are opposed to the Aldrich plan for a central bank." This was plain language. The men who ruled the Democratic Party then promised the people that if they were returned to power there would be no central bank established here while they held the reins of government. Thirteen months later that promise was broken, and the Wilson administration, under the tutelage of those sinister Wall Street figures who stood behind Colonel House, established here in our free country the worm-eaten monarchical institution of the "king's bank" to control us from the top downward, and to shackle us from the cradle to the grave. The Federal Reserve Act destroyed our old and characteristic way of doing business; it discriminated against our one-name commercial paper, the finest in the world; it set up the antiquated two-name paper, which is the present curse of this country, and which has wrecked every country which has ever given it scope; it fastened down upon this country the very

tyranny from which the framers of the Constitution sought to save us.

One of the greatest battles for the preservation of this Republic was fought out here in Jackson's day, when the Second Bank of the United States, which was founded upon the same false principles as those which are exemplified in the Federal Reserve Act, was hurled out of existence. After the downfall of the Second Bank of the United States in 1837, the country was warned against the dangers that might ensue if the predatory interests, after being cast out, should come back in disguise and unite themselves to the Executive, and through him acquire control of the government. That is what the predatory interests did when they came back in the livery of hypocrisy and under false pretenses obtained the passage of the Federal Reserve Act.

The danger that the country was warned against came upon us and is shown in the long train of horrors attendant upon the affairs of the traitorous and dishonest Federal Reserve Board and the Federal Reserve banks. Look around you when you leave this chamber and you will see evidences of it on all sides. This is an era of economic misery and for the conditions that caused that misery, the Federal Reserve Board and the Federal Reserve banks are fully liable. This is an era of financed crime and in the financing of crime, the Federal Reserve Board does not play the part of a disinterested spectator.

It has been said that the draughtsman who was employed to write the text of the Federal Reserve bill used the text of the Aldrich bill for his purpose. It has been said that the language of the Aldrich bill was used because the Aldrich bill had been drawn up by expert lawyers and seemed to be appropriate. It was indeed drawn up by lawyers. The Aldrich bill was created by acceptance bankers of European origin in New York City. It was a copy and in general a translation of the statutes of the Reichsbank and other European central banks.

Half a million dollars was spent on one part of the propaganda organized by those same European bankers for the purpose of misleading public opinion in regard to it, and for the purpose of giving Congress the impression that there was an overwhelming popular demand for that kind of banking legislation and the kind of currency that goes with it, namely, an asset currency based on human debts and obligations instead of an honest currency based on gold and silver values. Dr. H. Parker Willis had been employed by the Wall Street bankers and propagandists and when the Aldrich measure came to naught and he obtained employment from CARTER GLASS to assist in drawing a banking bill for the Wilson administration, he appropriated the text of the Aldrich bill for his purpose. There is no secret about it. The text of the Federal Reserve Act was tainted from the beginning.

Not all of the Democratic Members of the Sixty-third Congress voted for this great deception. Some of them remembered the teachings of Jefferson; and, through the years, there have been no criticisms of the Federal Reserve Board and the Federal Reserve banks so honest, so outspoken, and so unsparing as those which have been voiced here by Democrats. Again, although a number of Republicans voted for the Federal Reserve Act, the wisest and most conservative members of the Republican Party would have nothing to do with it and voted against it. A few days before the bill came to a vote, Sen. Henry Cabot Lodge, of Massachusetts, wrote to Sen. John W. Weeks as follows:

NEW YORK CITY, *December 17, 1913.*

MY DEAR SENATOR WEEKS: * * * Throughout my public life I have supported all measures designed to take the government out of the banking business * * *. This bill puts the government into the banking business as never before in our history and makes, as I understand it, all notes government notes when they should be bank notes.

The powers vested in the Federal Reserve Board seem to me highly dangerous, especially where there is political control of the board. I should be sorry to hold stock in a bank subject to such domination. The bill as it stands seems to me to open the way to a vast inflation of the currency. There is no necessity of dwelling upon this point after the remarkable and most powerful argument of the senior Senator from New York. I can be content here to follow the example of the English candidate for Parliament who thought it enough "to say ditto to Mr. Burke." I will merely add that I do not like to think that any law can be passed which will make it possible to submerge the gold standard in a flood of irredeemable paper currency.

I had hoped to support this bill, but I can not vote for it as it stands, because it seems to me to contain features and to rest upon principles in the highest degree menacing to our prosperity, to stability in business, and to the general welfare of the people of the United States.

Very sincerely yours,

HENRY CABOT LODGE.

In the 18 years which have passed since Senator Lodge wrote that letter of warning all of his predictions have come true. The government is in the banking business as never before. Against its will it has been made the backer of horsethieves and card sharps, bootleggers, smugglers, speculators, and swindlers in all parts of the world. Through the Federal Reserve Board and the Federal Reserve banks the riffraff of every country is operating on the public credit of the United States Government. Meanwhile, and on account of it, we ourselves are in the midst of the greatest depression we have ever known. Thus the menace to our prosperity, so feared by Senator Lodge, has indeed struck home. From the Atlantic to the Pacific our country has been ravaged and laid waste by the evil practices of the Federal Reserve Board and the Federal Reserve banks and the interests which control them. At no time in our history has

the general welfare of the people of the United States been at a lower level or the mind of the people so filled with despair.

Recently in one of our states 60,000 dwelling houses and farms were brought under the hammer in a single day. According to the Rev. Father Charles E. Coughlin, who has lately testified before a committee of this House, 71,000 houses and farms in Oakland County, Mich., have been sold and their erstwhile owners dispossessed. Similar occurrences have probably taken place in every county in the United States. The people who have thus been driven out are the wastage of the Federal Reserve Act. They are the victims of the dishonest and unscrupulous Federal Reserve Board and the Federal Reserve banks. Their children are the new slaves of the auction block in the revival here of the institution of human slavery.

In 1913, before the Senate Banking and Currency Committee, Mr. Alexander Lassen made the following statement:

"But the whole scheme of a Federal Reserve bank with its commercial-paper basis is an impractical, cumbersome machinery, is simply a cover, to find a way to secure the privilege of issuing money and to evade payment of as much tax upon circulation as possible, and then control the issue and maintain, instead of reduce, interest rates. It is a system that, if inaugurated, will prove to the advantage of the few and the detriment of the people of the United States. It will mean continued shortage of actual money and further extension of credits; for when there is a lack of real money people have to borrow credit to their cost."

A few days before the Federal Reserve Act was passed Sen. Elihu Root denounced the Federal Reserve bill as an outrage on our liberties and made the following prediction:

"Long before we wake up from our dreams of

prosperity through an inflated currency, our gold, which alone could have kept us from catastrophe, will have vanished and no rate of interest will tempt it to return."

If ever a prophecy came true, that one did. It was impossible, however, for those luminous and instructed thinkers to control the course of events. On December 23, 1913, the Federal Reserve bill became law, and that night Colonel House wrote to his hidden master in Wall Street as follows:

"I want to say a word of appreciation to you for the silent but no doubt effective work you have done in the interest of currency legislation and to congratulate you that the measure has finally been enacted into law. We all know that an entirely perfect bill, satisfactory to everybody, would have been an impossibility, and I feel quite certain fair men will admit that unless the President had stood as firm as he did we should likely have had no legislation at all. The bill is a good one in many respects; anyhow good enough to start with and to let experience teach us in what direction it needs perfection, which in due time we shall then get. In any event you have personally good reason to feel gratified with what has been accomplished."

The words "unless the President had stood as firm as he did we should likely have had no legislation at all," were a gentle reminder that it was Colonel House himself, the "holy monk," who had kept the President firm.

The foregoing letter affords striking evidence of the manner in which the predatory interests then sought to control the Government of the United States by surrounding the Executive with the personality and the influence of a financial Judas. Left to itself and to the conduct of its own legislative functions without pressure from the Executive, the Congress would not have passed the Federal Reserve Act. According to Colonel House, and since this was his report to his master, we may believe it to be true, the

Federal Reserve Act was passed because Wilson stood firm; in other words because Wilson was under the guidance and control of the most ferocious usurers in New York through their hireling, House. The Federal Reserve Act became law the day before Christmas Eve in the year 1913, and shortly afterwards the German international bankers, Kuhn, Loeb & Co., sent one of their partners here to run it.

In 1913, when the Federal Reserve bill was submitted to the Democratic caucus, there was a discussion in regard to the form the proposed paper currency should take.

The proponents of the Federal Reserve Act, in their determination to create a new kind of paper money, had not needed to go outside of the Aldrich bill for a model. By the terms of the Aldrich bill, bank notes were to be issued by the National Reserve Association and were to be secured partly by gold or lawful money and partly by circulating evidences of debt. The first draft of the Federal Reserve bill presented the same general plan, that is, for bank notes as opposed to government notes, but with certain differences of regulation.

When the provision for the issuance of Federal Reserve Notes was placed before President Wilson he approved of it, but other Democrats were more mindful of Democratic principles and a great protest greeted the plan. Foremost amongst those who denounced it was William Jennings Bryan, the Secretary of State. Bryan wished to have the Federal Reserve Notes issued as government obligations. President Wilson had an interview with him and found him adamant. At the conclusion of the interview Bryan left with the understanding that he would resign if the notes were made bank notes. The President then sent for his Secretary and explained the matter to him. Mr. Tumulty went to see Bryan and Bryan took from his library shelves a book containing all the Democratic platforms and read extracts from them bearing on the matter of the public currency. Returning to the President, Mr. Tumulty told him what

had happened and ventured the opinion that Mr. Bryan was right and that Mr. Wilson was wrong. The President then asked Mr. Tumulty to show him where the Democratic Party in its national platforms had ever taken the view indicated by Bryan. Mr. Tumulty gave him the book, which he had brought from Bryan's house, and the President read very carefully plank after plank on the currency. He then said, "I am convinced there is a great deal in what Mr. Bryan says," and thereupon it was arranged that Mr. Tumulty should see the proponents of the Federal Reserve bill in an effort to bring about an adjustment of the matter.

The remainder of this story may be told in the words of Senator GLASS. Concerning Bryan's opposition to the plan of allowing the proposed Federal Reserve Notes to take the form of bank notes and the manner in which President Wilson and the proponents of the Federal Reserve bill yielded to Bryan in return for his support of the measure, Senator GLASS makes the following statement:

"The only other feature of the currency bill around which a conflict raged at this time was the note-issue provision. Long before I knew it, the President was desperately worried over it. His economic good sense told him the notes should be issued by the banks and not by the government; but some of his advisers told him Mr. Bryan could not be induced to give his support to any bill that did not provide for a 'Government Note.' There was in the Senate and House a large Bryan following which, united with a naturally adversary party vote, could prevent legislation. Certain overconfident gentlemen proffered their services in the task of 'managing Bryan.' They did not budge him. * * * When a decision could no longer be postponed the President summoned me to the White House to say he wanted Federal Reserve Notes to 'be obligations of the United States.' I was for an instant speechless. With all the earnestness of my being I remonstrated, pointing out the unscientific

nature of such a thing, as well as the evident inconsistency of it.

" 'There is not, in truth, any Government obligation here, Mr. President,' I exclaimed. 'It would be a pretense on its face. Was there ever a government note based primarily on the property of banking institutions? Was there ever a government issue not one dollar of which could be put out except by demand of a bank? The suggested government obligation is so remote it could never be discerned,' I concluded, out of breath.

" 'Exactly so, GLASS,' earnestly said the President. 'Every word you say is true; the government liability is a mere thought. And so, if we can hold to the substance of the thing and give the other fellow the shadow, why not do it, if thereby we may save our bill?' "

Shadow and substance! One can see from this how little President Wilson knew about banking. Unknowingly, he gave the substance to the international banker and the shadow to the common man. Thus was Bryan circumvented in his efforts to uphold the Democratic doctrine of the rights of the people. Thus the "unscientific blur" upon the bill was perpetrated. The "unscientific blur," however, was not the fact that the United States Government, by the terms of Bryan's edict, was obliged to assume as an obligation whatever currency was issued. Mr. Bryan was right when he insisted that the United States should preserve its sovereignty over the public currency. The "unscientific blur" was the nature of the currency itself, a nature which makes it unfit to be assumed as an obligation of the United States Government. It is the worst currency and the most dangerous this country has ever known. When the proponents of the act saw that Democratic doctrine would not permit them to let the proposed banks issue the new currency as bank notes, they should have stopped at that. They should not have foisted that kind of currency, namely, an asset currency, on the United States Government. They should not have

made the government liable on the private debts of individuals and corporations and, least of all, on the private debts of foreigners.

The Federal Reserve Note is essentially unsound.

As Kemmerer says:

"The Federal Reserve Notes, therefore, in form have some of the qualities of government paper money, but, in substance, are almost a pure asset currency possessing a government guaranty against which contingency the government has made no provision whatever."

Hon. E. J. Hill, a former Member of the House, said, and truly:

"* * * They are obligations of the government for which the United States has received nothing and for the payment of which at any time it assumes the responsibility looking to the Federal Reserve Bank to recoup itself."

If the United States Government is to redeem the Federal Reserve Notes when the general public finds out what it costs to deliver this flood of paper money to the 12 Federal Reserve banks, and if the government has made no provision for redeeming them, the first element of their unsoundness is not far to seek.

Before the Senate Banking and Currency Committee, while the Federal Reserve bill was under discussion, Mr. Crozier, of Cincinnati, said:

"In other words, the imperial power of elasticity of the public currency is wielded exclusively by these central corporations owned by the banks. This is a life and death power over all local banks and all business. It can be used to create or destroy prosperity, to ward off or cause stringencies and panics. By making money artificially scarce interest rates throughout the country can be arbitrarily raised and the bank tax on all business and cost of living increased for the profit of the banks owning these

regional central banks, and without the slightest benefit to the people. These 12 corporations together cover the whole country and monopolize and use for private gain every dollar of the public currency and all public revenues of the United States. Not a dollar can be put into circulation among the people by their Government without the consent of and on terms fixed by these 12 private money trusts."

In defiance of this and all other warnings, the proponents of the Federal Reserve Act created the 12 private credit corporations and gave them an absolute monopoly of the currency of the United States, not of Federal Reserve Notes alone, but of all the currency, the Federal Reserve Act providing ways by means of which the gold and general currency in the hands of the American people could be obtained by the Federal Reserve banks in exchange for Federal Reserve Notes, which are not money but merely promises to pay money. Since the evil day when this was done the initial monopoly has been extended by vicious amendments to the Federal Reserve Act and by the unlawful and treasonable practices of the Federal Reserve Board and the Federal Reserve banks.

Mr. Chairman, when a Chinese merchant sells human hair to a Paris wigmaker and bills him in dollars, the Federal Reserve banks can buy his bill against the wigmaker and then use that bill as collateral for Federal Reserve Notes. The United States Government thus pays the Chinese merchant the debt of the wigmaker and gets nothing in return except a shady title to the Chinese hair.

Mr. Chairman, if a Scotch distiller wishes to send a cargo of Scotch whisky to the United States, he can draw his bill against the purchasing bootlegger in dollars; and after the bootlegger has accepted it by writing his name across the face of it, the Scotch distiller can send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and the Federal Reserve banks will buy it and use it as collateral for a new issue of

Federal Reserve Notes. Thus the Government of the United States pays the Scotch distiller for the whisky before it is shipped; and if it is lost on the way, or if the Coast Guard seizes it and destroys it, the Federal Reserve banks simply write off the loss and the government never recovers the money that was paid to the Scotch distiller. While we are attempting to enforce prohibition here, the Federal Reserve Board and the Federal Reserve banks are financing the distillery business in Europe and are paying bootleggers' bills with the public credit of the United States Government.

Mr. Chairman, if a German brewer ships beer to this country or anywhere else in the world and draws his bill for it in dollars, the Federal Reserve banks will buy that bill and use it as collateral for Federal Reserve Notes. Thus, they compel our government to pay the German brewer for his beer. Why should the Federal Reserve Board and the Federal Reserve banks be permitted to finance the brewing industry of Germany, either in this way or as they do by compelling small and fearful United States banks to take stock in the Isenbeck brewery and in the German bank for brewing industries?

Mr. Chairman, if Dynamit Nobel of Germany wishes to sell dynamite to Japan to use in Manchuria or elsewhere, it can draw its bill against its Japanese customers in dollars and send that bill to the nefarious open discount market in New York City, where the Federal Reserve Board and the Federal Reserve banks will buy it and use it as collateral for a new issue of Federal Reserve Notes, while at the same time the Federal Reserve Board will be helping Dynamit Nobel by stuffing its stock into the United States banking system. Why should we send our representatives to the disarmament conference at Geneva while the Federal Reserve Board and the Federal Reserve banks are making our government pay Japanese debts to German munition makers?

Mr. Chairman, if a bean grower of Chile wishes to raise a crop of beans and sell them to a Japanese

customer, he can draw a bill against his prospective Japanese customer in dollars and have it purchased by the Federal Reserve Board and the Federal Reserve banks and get the money out of this country at the expense of the American public before he has even planted the beans in the ground.

Mr. Chairman, if a German in Germany wishes to export goods to South America or anywhere else, he can draw his bill against his customer and send it to the United States and get the money out of this country before he ships or even manufactures the goods.

Mr. Chairman, why should the currency of the United States be issued on the strength of Chinese human hair? Why should it be issued on the trade whims of a wigmaker? Why should it be issued on the strength of German beer? Why should it be issued on a crop of unplanted beans to be grown in Chile for Japanese consumption? Why should the Government of the United States be compelled to issue many billions of dollars every year to pay the debts of one foreigner to another foreigner? Was it for this that our national-bank depositors had their money taken out of our banks and shipped abroad? Was it for this they had to lose it? Why should the public credit of the United States Government and likewise money belonging to our national-bank depositors be used to support foreign brewers, narcotic drug vendors, whisky distillers, wigmakers, human-hair merchants, Chilean bean growers, and the like? Why should our national-bank depositors and our government be forced to finance the munition factories of Germany and Soviet Russia?

Mr. Chairman, if a German, in Germany, wishes to sell wheelbarrows to another German, he can draw a bill in dollars and get the money out of the Federal Reserve banks before an American farmer could explain his request for a loan to move his crop to market. In Germany, when credit instruments are being given, the creditors say, "See you, it must be of a kind that I can cash at the reserve." Other

foreigners feel the same way. The reserve to which these gentry refer is our reserve, which, as you know, is entirely made up of money belonging to American bank depositors. I think foreigners should cash their own trade paper and not send it over here to bankers who use it to fish cash out of the pockets of the American people.

Mr. Chairman, there is nothing like the Federal reserve pool of confiscated bank deposits in the world. It is a public trough of American wealth in which foreigners claim rights equal to or greater than those of Americans. The Federal Reserve banks are the agents of the foreign central banks. They use our bank depositors' money for the benefit of their foreign principals. They barter the public credit of the United States Government and hire it out to foreigners at a profit to themselves.

All this is done at the expense of the United States Government, and at a sickening loss to the American people. Only our great wealth enabled us to stand the drain of it as long as we did.

I believe that the nations of the world would have settled down after the World War more peacefully if we had not had this standing temptation here—this pool of our bank depositors' money given to private interests and used by them in connection with illimitable drafts upon the public credit of the United States Government. The Federal Reserve Board invited the world to come in and to carry away cash, credit, goods, and everything else of value that was movable. Values amounting to many billions of dollars have been taken out of this country by the Federal Reserve Board and the Federal Reserve banks for the benefit of their foreign principals. The United States has been ransacked and pillaged. Our structures have been gutted and only the walls are left standing. While this crime was being perpetrated everything the world could rake up to sell us was brought in here at our own expense by the Federal Reserve Board and the Federal Reserve banks until our markets were swamped with unneeded and un-

wanted imported goods priced far above their value and thus made to equal the dollar volume of our honest exports and to kill or reduce our favorable balance of trade. As agents of the foreign central banks, the Federal Reserve Board and the Federal Reserve banks try by every means within their power to reduce our favorable balance of trade. They act for their foreign principals and they accept fees from foreigners for acting against the best interests of the United States. Naturally there has been great competition among foreigners for the favors of the Federal Reserve Board.

What we need to do is to send the reserves of our national banks home to the people who earned and produced them and who still own them and to the banks which were compelled to surrender them to predatory interests. We need to destroy the Federal Reserve pool, wherein our national-bank reserves are impounded for the benefit of foreigners. We need to make it very difficult for outlanders to draw money away from us. We need to save America for Americans.

Mr. Chairman, when you hold a $10 Federal Reserve Note in your hand you are holding a piece of paper which sooner or later is going to cost the United States Government $10 in gold, unless the government is obliged to give up the gold standard. It is protected by a reserve of 40 per cent, or $4 in gold. It is based on Limburger cheese, reputed to be in a foreign warehouse; or on cans purporting to contain peas but which may contain no peas but salt water instead; or on horse meat; illicit drugs; bootleggers' fancies; rags and bones from Soviet Russia of which the United States imported over a million dollars' worth last year; on wine, whisky, natural gas, on goat or dog fur, garlic on the string, or Bombay ducks. If you like to have paper money which is secured by such commodities, you have it in the Federal Reserve Note. If you desire to obtain the thing of value upon which this paper currency is based—that is, the Limburger cheese, the whisky, the illicit

drugs, or any of the other staples—you will have a very hard time finding them. Many of these worshipful commodities are in foreign countries. Are you going to Germany to inspect her warehouses to see if the specified things of value are there? I think not. And what is more, I do not think you would find them if you did go.

Immense sums belonging to our national-bank depositors have been given to Germany on no collateral security whatever. The Federal Reserve Board and the Federal Reserve banks have issued United States currency on mere finance drafts drawn by Germans. Billions upon billions of our money has been pumped into Germany and money is still being pumped into Germany by the Federal Reserve Board and the Federal Reserve banks. Her worthless paper is still being negotiated here and renewed here on the public credit of the United States Government and at the expense of the American people. On April 27, 1932, the Federal Reserve oufit sent $750,000, belonging to American bank depositors, in gold to Germany. A week later, another $300,000 in gold was shipped to Germany in the same way. About the middle of May $12,000,000 in gold was shipped to Germany by the Federal Reserve Board and the Federal Reserve banks. Almost every week there is a shipment of gold to Germany. These shipments are not made for profit on exchange since German marks are below parity against the dollar.

Mr. Chairman, I believe that the national-bank depositors of the United States are entitled to know what the Federal Reserve Board and the Federal Reserve banks are doing with their money. There are millions of national-bank depositors in this country who do not know that a percentage of every dollar they deposit in a member bank of the Federal Reserve System goes automatically to the American agents of foreign banks and that all of their deposits can be paid away to foreigners without their knowledge or consent by the crooked machinery of the Federal Reserve Act and the questionable practices

of the Federal Reserve Board and the Federal Reserve banks. Mr. Chairman, the American people should be told the truth by their servants in office.

In 1930 we had over half a billion dollars outstanding daily to finance foreign goods stored in or shipped between foreign countries. In its yearly total, this item amounts to several billion dollars. What goods are those upon which the Federal Reserve banks yearly pledge several billion dollars of the public credit of the United States? What goods are those which are hidden in European and Asiatic storehouses and which have never been seen by any officer of this government, but which are being financed on the public credit of the United States Government? What goods are those upon which the United States Government is being obliged by the Federal Reserve banks to issue Federal Reserve Notes to the extent of several billion dollars a year?

The Federal Reserve Board and the Federal Reserve banks have been international bankers from the beginning, with the United States Government as their enforced banker and supplier of currency. But it is nonetheless extraordinary to see those 12 private credit monopolies buying the debts of foreigners against foreigners in all parts of the world and asking the Government of the United States for new issues of Federal Reserve Notes in exchange for them.

I see no reason why the American taxpayers should be hewers of wood and drawers of water for the European and Asiatic customers of the Federal Reserve banks. I see no reason why a worthless acceptance drawn by a foreign swindler as a means of getting gold out of this country should receive the lowest and choicest rate from the Federal Reserve Board and be treated as better security than the note of an American farmer living on American land.

The magnitude of the acceptance racket, as it has been developed by the Federal Reserve banks, their foreign correspondents, and the predatory European-born bankers who set up the Federal Reserve institu-

tion here and taught our own brand of pirates how to loot the people—I say the magnitude of this racket is estimated to be in the neighborhood of $9,000,000,000 a year. In the past ten years it is said to have amounted to $90,000,000,000. In my opinion, it has amounted to several times as much. Coupled with this you have, to the extent of billions of dollars, the gambling in United States securities, which takes place in the same open discount market—a gamble upon which the Federal Reserve Board is now spending $100,000,000 a week.

Federal Reserve Notes are taken from the United States Government in unlimited quantities. Is it strange that the burden of supplying these immense sums of money to the gambling fraternity has at last proved too heavy for the American people to endure? Would it not be a national calamity if the Federal Reserve Board and the Federal Reserve banks should again bind this burden down on the backs of the American people and, by means of the long rawhide whips of the credit masters, compel them to enter upon another 17 years of slavery? They are trying to do that now. They are taking $100,000,000 of the public credit of the United States Government every week in addition to all their other seizures, and they are spending that money in the nefarious open market in New York City in a desperate gamble to reestablish their graft as a going concern.

They are putting the United States Government in debt to the extent of $100,000,000 a week, and with this money they are buying up our government securities for themselves and their foreign principals. Our people are disgusted with the experiments of the Federal Reserve Board. The Federal Reserve Board is not producing a loaf of bread, a yard of cloth, a bushel of corn, or a pile of cordwood by its check-kiting operations in the money market.

A fortnight or so ago great aid and comfort was given to Japan by the firm of A. Gerli & Sons, of New York, an importing firm, which bought $16,000,000 worth of raw silk from the Japanese Government.

Federal Reserve Notes will be issued to pay that amount to the Japanese Government, and these notes will be secured by money belonging to our national-bank depositors.

Why should United States currency be issued on this debt? Why should United States currency be issued to pay the debt of Gerli & Sons to the Japanese Government? The Federal Reserve Board and the Federal Reserve banks think more of the silkworms of Japan than they do of American citizens. We do not need $16,000,000 worth of silk in this country at the present time, not even to furnish work to dyers and finishers. We need to wear home-grown and American-made clothes and to use our own money for our own goods and staples. We could spend $16,000,000 in the United States of America on American children and that would be a better investment for us than Japanese silk purchased on the public credit of the United States Government.

Mr. Speaker, on the 13th of January of this year I addressed the House on the subject of the Reconstruction Finance Corporation. In the course of my remarks I made the following statement:

"In 1928 the member banks of the Federal Reserve System borrowed $60,598,690,000 from the Federal Reserve banks on their 15-day promissory notes. Think of it! Sixty billion dollars payable upon demand in gold in the course of one single year. The actual payment of such obligations calls for six times as much monetary gold as there is in the entire world. Such transactions represent a grant in the course of one single year of about $7,000,000 to every member bank of the Federal Reserve System. Is it any wonder that there is a depression in this country? Is it any wonder that American labor, which ultimately pays the cost of all the banking operations of this country, has at last proved unequal to the task of supplying this huge total of cash and credit for the benefit of stock-market manipulators and foreign swindlers?"

Mr. Chairman, some of my colleagues have asked for more specific information concerning this stupendous graft, this frightful burden which has been placed on the wage earners and taxpayers of the United States for the benefit of the Federal Reserve Board and the Federal Reserve banks. They were surprised to learn that member banks of the Federal Reserve System had received the enormous sum of $60,598,690,000 from the Federal Reserve Board and the Federal Reserve banks on their promissory notes in the course of one single year, namely, 1928. Another Member of this House, Mr. BEEDY, the honorable gentleman from Maine, has questioned the accuracy of my statement and has informed me that the Federal Reserve Board denies absolutely that these figures are correct. This Member has said to me that the thing is unthinkable, that it cannot be, that it is beyond all reason to think that the Federal Reserve Board and the Federal Reserve banks should have so subsidized and endowed their favorite banks of the Federal Reserve System. This Member is horrified at the thought of a graft so great, a bounty so detrimental to the public welfare as sixty and a half billion dollars a year and more shoveled out to favored banks of the Federal Reserve System.

I sympathize with Mr. BEEDY. I would spare him pain if I could, but the facts remain as I have stated them. In 1928, the Federal Reserve Board and the Federal Reserve banks presented the staggering amount of $60,598,690,000 to their member banks at the expense of the wage earners and taxpayers of the United States. In 1929, the year of the stock-market crash, the Federal Reserve Board and the Federal Reserve banks advanced fifty-eight billions to member banks.

In 1930, while the speculating banks were getting out of the stock market at the expense of the general public, the Federal Reserve Board and the Federal Reserve banks advanced them $13,022,782,000. This shows that when the banks were gambling on the public credit of the United States Government as

represented by Federal Reserve currency, they were subsidized to any amount they required by the Federal Reserve Board and the Federal Reserve banks. When the swindle began to fail, the banks knew it in advance and withdrew from the market. They got out with whole skins and left the people of the United States to pay the piper.

On November 2, 1931, I addressed a letter to the Federal Reserve Board asking for the aggregate total of member bank borrowings in the years 1928, 1929, 1930. In due course, I received a reply from the Federal Reserve Board, dated November 9, 1931, the pertinent part of which reads as follows:

MY DEAR CONGRESSMAN: In reply to your letter of November 2, you are advised that the aggregate amount of 15-day promissory notes of member banks during each of the past three calendar years has been as follows:

1928	$60,598,690,000
1929	58,046,697,000
1930	13,022,782,000

* * * * *

Very truly yours,

CHESTER MORRILL, *Secretary.*

This will show the gentleman from Maine the accuracy of my statement. As for the denial of these facts made to him by the Federal Reserve Board, I can only say that it must have been prompted by fright, since hanging is too good for a government board which permitted such a misuse of government funds and credit.

My friend from Kansas, Mr. MCGUGIN, has stated that he thought the Federal Reserve Board and the Federal Reserve banks lent money by rediscounting. So they do, but they lend comparatively little that way. The real rediscounting that they do has been called a mere penny in the slot business. It is too slow for genuine high flyers. They discourage it. They prefer to subsidize their favorite banks by making these

$60,000,000,000 advances, and they prefer to acquire acceptances in the notorious open discount market in New York, where they can use them to control the prices of stocks and bonds on the exchanges. For every dollar they advanced on rediscounts in 1928 they lent $33 to their favorite banks for gambling purposes. In other words, their rediscounts in 1928 amounted to $1,814,271,000, while their loans to member banks amounted to $60,598,-690,000. As for their open-market operations, these are on a stupendous scale, and no tax is paid on the acceptances they handle; and their foreign principals, for whom they do a business of several billion dollars every year, pay no income tax on their profits to the United States Government.

This is the John Law swindle over again. The theft of Teapot Dome was trifling compared to it. What king ever robbed his subjects to such an extent as the Federal Reserve Board and the Federal Reserve banks have robbed us? Is it any wonder that there have lately been 90 cases of starvation in one of the New York hospitals? Is it any wonder that the children of this country are being dispersed and abandoned?

The government and the people of the United States have been swindled by swindlers de luxe to whom the acquisition of American gold or a parcel of Federal Reserve Notes presented no more difficulty than the drawing up of a worthless acceptance in a country not subject to the laws of the United States, by sharpers not subject to the jurisdiction of the United States courts, sharpers with a strong banking "fence" on this side of the water—a "fence" acting as a receiver of the worthless paper coming from abroad, indorsing it and getting the currency out of the Federal Reserve banks for it as quickly as possible, exchanging that currency for gold, and in turn transmitting the gold to its foreign confederates.

Such were the exploits of Ivar Kreuger, Mr. Hoover's friend, and his hidden Wall Street backers. Every dollar of the billions Kreuger and his gang

drew out of this country on acceptances was drawn from the government and the people of the United States through the Federal Reserve Board and the Federal Reserve banks. The credit of the United States Government was peddled to him by the Federal Reserve Board and the Federal Reserve banks for their own private gain. That is what the Federal Reserve Board and the Federal Reserve banks have been doing for many years. They have been peddling the credit of this government and the signature of this government to the swindlers and speculators of all nations. That is what happens when a country forsakes its Constitution and gives its sovereignty over the public currency to private interests. Give them the flag and they will sell it.

The nature of Kreuger's organized swindle and the bankrupt condition of Kreuger's combine was known here last June when Hoover sought to exempt Kreuger's loan to Germany of one hundred twenty-five millions from the operation of the Hoover moratorium. The bankrupt condition of Kreuger's swindle was known here last summer when $30,000,000 was taken from American taxpayers by certain bankers in New York for the ostensible purpose of permitting Kreuger to make a loan to Colombia. Colombia never saw that money. The nature of Kreuger's swindle and the bankrupt condition of Kreuger was known here in January when he visited his friend, Mr. Hoover, at the White House. It was known here in March before he went to Paris and committed suicide there.

Mr. Chairman, I think the people of the United States are entitled to know how many billions of dollars were placed at the disposal of Kreuger and his gigantic combine by the Federal Reserve Board and the Federal Reserve banks and to know how much of our government currency was issued and lost in the financing of that great swindle in the years during which the Federal Reserve Board and the Federal Reserve banks took care of Kreuger's requirements.

Mr. Chairman, I believe there should be a con-

gressional investigation of the operations of Kreuger and Toll in the United States and that Swedish Match, International Match, the Swedish-American Investment Corporation, and all related enterprises, including the subsidiary companies of Kreuger and Toll, should be investigated and that the issuance of United States currency in connection with those enterprises and the use of our national-bank depositors' money for Kreuger's benefit should be made known to the general public. I am referring, not only to the securities which were floated and sold in this country, but also to the commercial loans to Kreuger's enterprises and the mass financing of Kreuger's companies by the Federal Reserve Board and the Federal Reserve banks and the predatory institutions which the Federal Reserve Board and the Federal Reserve banks shield and harbor.

A few days ago the President of the United States, with a white face and shaking hands, went before the Senate on behalf of the moneyed interests and asked the Senate to levy a tax on the people so that foreigners might know that the United States would pay its debts to them. Most Americans thought that it was the other way around. What does the United States owe to foreigners? When and by whom was the debt incurred? It was incurred by the Federal Reserve Board and the Federal Reserve banks when they peddled the signature of this government to foreigners for a price. It is what the United States Government has to pay to redeem the obligations of the Federal Reserve Board and the Federal Reserve banks. Are you going to let those thieves get off scot free? Is there one law for the looter who drives up to the door of the United States Treasury in his limousine and another for the United States veterans who are sleeping on the floor of a dilapidated house on the outskirts of Washington?

The Baltimore & Ohio Railroad is here asking for a large loan from the people and the wage earners and the taxpayers of the United States. It is begging for a handout from the government. It is standing,

cap in hand, at the door of the Reconstruction Finance Corporation, where all the other jackals have gathered to the feast. It is asking for money that was raised from the people by taxation, and it wants this money of the poor for the benefit of Kuhn, Loeb & Co., the German international bankers. Is there one law for the Baltimore & Ohio Railroad and another for the needy veterans it threw off its freight cars the other day? Is there one law for sleek and prosperous swindlers who call themselves bankers and another law for the soldiers who defended the United States flag?

Mr. Chairman, some people are horrified because the collateral behind Kreuger and Toll debentures was removed and worthless collateral substituted for it. What is this but what is being done daily by the Federal Reserve banks? When the Federal Reserve Act was passed, the Federal Reserve banks were allowed to substitute "other like collateral" for collateral behind Federal Reserve Notes but by an amendment obtained at the request of the corrupt and dishonest Federal Reserve Board, the act was changed so that the word "like" was stricken out. All that immense trouble was taken here in Congress so that the law would permit the Federal Reserve banks to switch collateral. At the present time behind the scenes in the Federal Reserve banks there is a night-and-day movement of collateral. A visiting Englishman, leaving the United States a few weeks ago, said that things would look better here after "they cleaned up the mess at Washington." Cleaning up the mess consists in fooling the people and making them pay a second time for the bad foreign investments of the Federal Reserve Board and the Federal Reserve banks. It consists in moving that heavy load of dubious and worthless foreign paper—the bills of wigmakers, brewers, distillers, narcotic-drug vendors, munition makers, illegal finance drafts, and worthless foreign securities, out of the banks and putting it on the back of American labor. That is what the Reconstruction Finance Corporation is doing now. They talk about loans to banks and railroads but they

say very little about that other business of theirs which consists in relieving the swindlers who promoted investment trusts in this country and dumped worthless foreign securities into them and then resold that mess of pottage to American investors under cover of their own corporate titles. The Reconstruction Finance Corporation is taking over those worthless securities from those investment trusts with United States Treasury money at the expense of the American taxpayer and wage earner.

It will take us 20 years to redeem our government, 20 years of penal servitude to pay off the gambling debts of the traitorous Federal Reserve Board and the Federal Reserve banks and to earn again that vast flood of American wages and savings, bank deposits, and United States Government credit which the Federal Reserve Board and the Federal Reserve banks exported out of this country to their foreign principals.

The Federal Reserve Board and the Federal Reserve banks lately conducted an anti-hoarding campaign here. Then they took that extra money which they had persuaded the trusting American people to put into the banks and they sent it to Europe along with the rest. In the last several months, they have sent $1,300,000,000 in gold to their foreign employers, their foreign masters, and every dollar of that gold belonged to the people of the United States and was unlawfully taken from them.

Is not it high time that we had an audit of the Federal Reserve Board and the Federal Reserve banks and an examination of all our governments bonds and securities and public moneys instead of allowing the corrupt and dishonest Federal Reserve Board and the Federal Reserve banks to speculate with those securities and this cash in the notorious open discount market of New York City?

Mr. Chairman, within the limits of the time allowed me, I cannot enter into a particularized discussion of the Federal Reserve Board and the Federal Reserve

banks. I have singled out the Federal Reserve currency for a few remarks because there has lately been some talk here of "fiat money." What kind of money is being pumped into the open discount market and through it into foreign channels and stock exchanges? Mr. Mills of the Treasury has spoken here of his horror of the printing presses and his horror of dishonest money. He has no horror of dishonest money. If he had, he would be no party to the present gambling of the Federal Reserve Board and the Federal Reserve banks in the nefarious open discount market of New York, a market in which the sellers are represented by ten great discount dealer corporations owned and organized by the very banks which own and control the Federal Reserve Board and the Federal Reserve banks. Fiat money, indeed!

After the several raids on the Treasury Mr. Mills borrows the speech of those who protested against those raids and speaks now with pretended horror of a raid on the Treasury. Where was Mr. Mills last October when the United States Treasury needed $598,000,000 of the taxpayers' money which was supposed to be in the safe-keeping of Andrew W. Mellon in the designated depositories of Treasury funds, and which was not in those depositories when the Treasury needed it? Mr. Mills was the Assistant Secretary of the Treasury then, and he was at Washington throughout October, with the exception of a very significant week he spent at White Sulphur Springs closeted with international bankers, while the Italian minister, Signor Grandi, was being entertained—and bargained with—at Washington.

What Mr. Mills is fighting for is the preservation whole and entire of the bankers' monopoly of all the currency of the United States Government. What Mr. PATMAN proposes is that the government shall exercise its sovereignty to the extent of issuing some currency for itself. This conflict of opinion between Mr. Mills as the spokesman of the bankers and Mr. PATMAN as the spokesman of the people brings the currency situation here into the open. Mr. PATMAN

and the veterans are confronted by a stone wall—the wall that fences in the bankers with their special privilege. Thus the issue is joined between the hosts of democracy, of which the veterans are a part, and the men of the king's bank, the would-be aristocrats, who deflated American agriculture and robbed this country for the benefit of their foreign principals.

Mr. Chairman, last December I introduced a resolution here asking for an examination and an audit of the Federal Reserve Board and the Federal Reserve banks and all related matters. If the House sees fit to make such an investigation, the people of the United States will obtain information of great value. This is a government of the people, by the people, for the people, consequently nothing should be concealed from the people. The man who deceives the people is a traitor to the United States. The man who knows or suspects that a crime has been committed and who conceals or covers up that crime is an accessory to it. Mr. Speaker, it is a monstrous thing for this great Nation of people to have its destinies presided over by a traitorous government board acting in secret concert with international usurers. Every effort has been made by the Federal Reserve Board to conceal its power but the truth is the Federal Reserve Board has usurped the Government of the United States. It controls everything here and it controls all our foreign relations. It makes and breaks governments at will. No man and no body of men is more entrenched in power than the arrogant credit monopoly which operates the Federal Reserve Board and the Federal Reserve banks. These evil-doers have robbed this country of more than enough money to pay the national debt. What the National Government has permitted the Federal Reserve Board to steal from the people should now be restored to the people. The people have a valid claim against the Federal Reserve Board and the Federal Reserve banks. If that claim is enforced, Americans will not need to stand in breadlines or to suffer and die of starvation in the streets. Homes will be saved, families will be kept together, and American children will not be dispersed

and abandoned. The Federal Reserve Board and the Federal Reserve banks owe the United States Government an immense sum of money. We ought to find out the exact amount of the people's claim. We should know the amount of the indebtedness of the Federal Reserve Board and the Federal Reserve banks to the people and we should collect that amount immediately. We certainly should investigate this treacherous and disloyal conduct of the Federal Reserve Board and the Federal Reserve banks.

Here is a Federal Reserve Note. Immense numbers of these notes are now held abroad. I am told they amount to upward of a billion dollars. They constitute a claim against our government and likewise a claim against the money our people have deposited in the member banks of the Federal Reserve System. Our people's money to the extent of $1,300,000,000 has within the last few months been shipped abroad to redeem Federal Reserve Notes and to pay other gambling debts of the traitorous Federal Reserve Board and the Federal Reserve banks. The greater part of our monetary stock has been shipped to foreigners. Why should we promise to pay the debts of foreigners to foreigners? Why should our government be put into the position of supplying money to foreigners? Why should American farmers and wage earners add millions of foreigners to the number of their dependents? Why should the Federal Reserve Board and the Federal Reserve banks be permitted to finance our competitors in all parts of the world? Do you know why the tariff was raised? It was raised to shut out the flood of Federal Reserve goods pouring in here from every quarter of the globe—cheap goods produced by cheaply paid foreign labor on unlimited supplies of money and credit sent out of this country by the dishonest and unscrupulous Federal Reserve Board and the Federal Reserve banks. Go out in Washington to buy an electric light bulb and you will probably be offered one that was made in Japan on American money. Go out to buy a pair of fabric gloves and inconspicuously written on the inside of the gloves that will be offered to you will be

found the words "made in Germany" and that means "made on the public credit of the United States Government paid to German firms in American gold taken from the confiscated bank deposits of the American people."

The Federal Reserve Board and the Federal Reserve banks are spending $100,000,000 a week buying government securities in the open market and are thus making a great bid for foreign business. They are trying to make rates so attractive that the human-hair merchants and distillers and other business entities in foreign lands will come here and hire more of the public credit of the United States Government and pay the Federal Reserve outfit for getting it for them.

Mr. Chairman, when the Federal Reserve Act was passed the people of the United States did not perceive that a world system was being set up here which would make the savings of an American schoolteacher available to a narcotic-drug vendor in Macao. They did not perceive that the United States was to be lowered to the position of a coolie country which has nothing but raw materials and heavy goods for export; that Russia was destined to supply man power and that this country was to supply financial power to an international superstate—a superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure.

The people of the United States are being greatly wronged. If they are not, then I do not know what "wronging the people" means. They have been driven from their employments. They have been dispossessed of their homes. They have been evicted from their rented quarters. They have lost their children. They have been left to suffer and to die for the lack of shelter, food, clothing, and medicine.

The wealth of the United States and the working capital of the United States has been taken away from them and has either been locked in the vaults

of certain banks and great corporations or exported to foreign countries for the benefit of the foreign customers of those banks and corporations. So far as the people of the United States are concerned, the cupboard is bare. It is true that the warehouses and coal yards and grain elevators are full, but the warehouses and coal yards and grain elevators are padlocked and the great banks and corporations hold the keys. The sack of the United States by the Federal Reserve Board and the Federal Reserve banks and their confederates is the greatest crime in history.

Mr. Chairman, a serious situation confronts the House of Representatives today. We are the trustees of the people and the rights of the people are being taken away from them. Through the Federal Reserve Board and the Federal Reserve banks, the people are losing the rights guaranteed to them by the Constitution. Their property has been taken from them without due process of law. Mr. Chairman, common deceny requires us to examine the public accounts of the government to see what crimes against the public welfare have been or are being committed.

What is needed here is a return to the Constitution of the United States. We need to have a complete divorce of Bank and State. The old struggle that was fought out here in Jackson's day must be fought over again. The independent United States Treasury should be reestablished and the government should keep its own money under lock and key in the building the people provided for that purpose. Asset currency, the device of the swindler, should be done away with. The government should buy gold and issue United States currency on it. The business of the independent bankers should be restored to them. The State banking systems should be freed from coercion. The Federal Reserve districts should be abolished and State boundaries should be respected. Bank reserves should be kept within the borders of the States whose people own them, and this reserve money of the people should be protected so that international bankers and acceptance bankers and discount dealers cannot

draw it away from them. The exchanges should be closed while we are putting our financial affairs in order. The Federal Reserve Act should be repealed and the Federal Reserve banks, having violated their charters, should be liquidated immediately. Faithless government officers who have violated their oaths of office should be impeached and brought to trial. Unless this is done by us, I predict that the American people, outraged, robbed, pillaged, insulted, and betrayed as they are in their own land, will rise in their wrath and send a President here who will sweep the money changers out of the temple. [Applause.]

CHAPTER XIII

GOLD CONFISCATED

For over 25 years our government has kept its vast hoard of all the monetary gold in the United States buried under the ground at Fort Knox and in other Treasury depositories. This gold is carefully guarded day and night by every protection that human strength, ingenuity, and electronic systems can afford against theft.

Not one of the 400-ounce gold bars in this hoard can be moved without the authorization of the United States Government, nor without massive security precautions being taken during an actual gold transfer.

The American people, whenever they stop to think about it, derive a deep sense of security from the knowledge that this gold backing, or solid base, for our money is safe on American soil, guarded by every device known to our security experts.

Ever since the time the Treasury demanded and secured all gold privately held by individuals or banks, and Congress made private possession of the precious metal a crime (except in the form of newly mined or placer gold), the American people have regarded this buried treasure as a secure protection behind the paper tokens called dollars.

How could any part of this great treasure be lost, when by law the Government of the United States is pledged to preserve it, and every possible kind of protection is placed around it? It would be unthinkable, you will say, to have such doubts about the gold we were forced to give over to our government to have and to hold.

Nevertheless the gold, most of which is still held physically within this country, is no longer ours legally. Only a fraction of it belongs to our government. Irrespective of physical removal, it has been lost to us.

Why has this happened? Because, even though Americans may not exchange their paper money or checks for gold, claimants outside the United States CAN demand gold for THEIR paper money or silver if they wish. These claimants include foreign central banks, the depositors and customers of those banks, Americans living or doing business abroad, and international agencies, such as the United Nations, the International Bank, the International Monetary Fund, and other United Nations subsidiaries.

This gold hoard is now in our government's keeping, but really only under a warehouse keeping agreement—being stored at taxpayers' expense even though earmarked for international ownership.

No American can own gold in this country or abroad except for use in jewelry-making, dental work, and in certain arts and sciences, but any foreign trader, any foreign government receiving American dollars as foreign aid, any international agency receiving grants in dollars from the United States, can turn his dollars into gold on demand. It is a privilege not to be an American citizen.

The current drain upon our gold hoard is due to these foreign claims being "cashed in" by their owners. Furthermore, these foreign claimants have not as yet taken out all the gold they own. At the end of 1960 they still had the right to withdraw more than $20 billion of the total. Their dollar claims rise higher

every day. In 1961 none of the gold bars in our government's carefully guarded vaults theoretically belonged to us. And the loss has not been stopped. In fact, it is only beginning. The banks and individuals outside our country who own dollars can legally demand from the central bank in the country of their operations all of this gold. They will get it, because the central banks can in turn demand the gold from our privately owned Federal Reserve System, unless we declare an embargo.

The American people gave up their gold in trust to the government. They worked hard and produced abundantly to maintain the national economy and the honor of the dollar. But the fine print in the law permitted a few venal individuals to establish preemptive claims to the metal backing of our money.

That gold is supposed to back our total money supply. But what has happened? Our gold hoard has been getting smaller while the total working supply of paper money and credit has been growing larger.

By law, we are supposed to have gold reserves in safekeeping to cover at least one-fourth of all currency in circulation and member bank reserves held within the Federal Reserve System. This serves as the hard core of the total of bank credit which may go up to six times the value of the bank deposits held by the Federal Reserve System. Our gold backing should represent at least 4 per cent ($23,120,000,000) of all obligations with $33 billion in currency, the $255 billion in bank deposits, plus a debt of $290.6 billion—a total of $587,600,000,000. Of course, this does not even include Veterans Administration or Social Security obligations, which must be considered.

Now, it is true that most foreign owners of U.S. dollars do not turn them in for gold. The role of gold is similar to that of insurance; that when and in times of emergency, it should be available as a reserve commodity. Therefore, in time of stress, we need more gold, not less. The crisis which looms ahead of us comes from a new danger—that foreigners are losing

confidence in the American dollar. When a government tinkers with its money, it may fool its own people for a long time, but it cannot fool hardheaded financial experts in other countries. A shaky money system can easily be toppled by foreign experts who refuse to believe fairy tales.

Let us sum up. Foreigners have the legal right under our laws to demand gold in exchange for dollars. They are withdrawing increasing amounts of gold from the supply in our government's keeping. They have begun to distrust our teetering money system, so we have every reason to believe their demands will continue to increase.

As people outside the United States withdraw our gold, dollar for dollar, the reserves behind our currency grow smaller and smaller. As our gold backing declines, prudent financial experts here will become more and more dubious about the backing for our money in circulation, and will withdraw their gold with increasing rapidity, thus compounding the evil.

Furthermore, this uncertainty destroys public morale, an effect best avoided during these critical days when the insidious forces challenging our way of life are daily becoming more powerful.

The gold movement within the United States is a cloak-and-dagger operation. Gold is actually moved a few hundred feet from one set of cages in the U.S. Assay Office to another set of cages in the Federal Reserve bank by expensive armored trucks, merely to be rechecked and restored.

Inflation is like a slowly-growing fire in the woodwork of the cellar which causes almost no smoke or flame as long as it is kept under cover. But unless the fire is sternly checked someone, somewhere, is going to open the door and let in the air. Then the flames rise up, and consume the whole structure. It may be too late to prevent catastrophe since the government has chosen the road to destruction by not reducing the national debt in time of peace.

The smart New Dealers saw the coming of the war. They realized that spending would be easier and bigger if carried on under the impetus of the fierce emotion of war. They knew that any powers already granted—or assumed—could be multiplied a hundredfold under the cloak of patriotism.

On October 22, 1933, in a fireside chat, the President said he had authorized the Reconstruction Finance Corporation to buy gold at variable prices, determined by the President. The title of this fireside chat was "We Are on Our Way." He had embarked on day-to-day manipulation of the price of gold or the value of the dollar of the United States.

On January 30, 1934, President Roosevelt ended day-to-day operations. He reduced gold in the United States dollar by 40 per cent. An ounce of gold was thereupon to be worth $35.00 in paper dollars, instead of $20.67. The price has not been changed since.

This arbitrary reduction in the gold weight of each dollar left a bookkeeping "profit" of $3 billion. This $3 billion was credited to the Treasury for spending. President Roosevelt asked Senator Glass what he thought of this Act. Glass told him, "I think it is worse than anything Ali Baba's forty thieves ever perpetrated."

Carter Glass said on the floor of the Senate on April 27, 1933, ". . . . With nearly 40 per cent of the entire gold supplies of the world, why are we going off the gold standard? To me the suggestion that we may devalue the gold dollar 50 per cent means national repudiation. To me it means dishonor. There never was any necessity for a gold embargo. There is no necessity for making statutory criminals of citizens of the United States, who may please to take property in the shape of gold or currency out of banks and use it for their own purposes as they may please."

Source: *Gold Swindle,* by George Racey Jordan

In his recent economic report President Johnson boasted:

Decisive progress was made in 1965 toward reduc-

> ing our balance of payments deficit. Though the results for 1965 are gratifying, we cannot afford to relax. We have not yet balanced our external accounts. For 1966, external balance is our goal.

He added that it is necessary to correct our remaining balance of payments "so that the dollar will remain strong."

Now the government's report for the year discloses that the United States lost $1.664 billion in gold during 1965 in consequence of the continuing payments deficit, the largest gold loss since 1960. Our gold reserve is down $13.807 billion, almost $10 billion less than was held in 1952. So where are the "decisive progress" and the "gratifying" results of which Mr. Johnson spoke?

What is called the balance of payments is the difference between the total payments flowing out of and into the United States from all sources. Since the fiscal year 1949 our balance of payments has been unfavorable every year except 1957, the year of the Suez crisis.

Foreigners have now piled up $29.1 billion in short-term dollar credits, all of which are redeemable in gold if the claim is presented. We simply do not have the gold stock to meet such claims if they are advanced. We should be obliged to default. In fact, our situation has become so desperate that we cannot meet the legal obligation placed on the U.S. Treasury to hold $15.396 billion in gold to pay certain debts and to discipline our currency.

The only reason foreign dollar holders do not descend on us like a ton of bricks is that they hesitate to call our gold because the free world economy is tied to the dollar. Nevertheless, they have warned us repeatedly to put our economy in order. A year ago, for example, President DeGaulle of France pointedly referred to our difficulties in suggesting that the free world return to the gold standard.

Of course, this proposal did not elicit a sympathetic response from Washington. Why? Here is the explanation

offered by Patrick M. Boarman, Bucknell University economist:

> After the re-establishment of the gold exchange standard at the Bretton Woods Monetary Conference in 1944, the dollar became the "key currency" of the free world. The function of such "key currencies" is to substitute for gold in the settlement of balance of payments differences among nations.
>
> The country with a key currency is thus in the enviable, but in the end deceptive, position of being able, indefinitely, to pay its obligations with pieces of paper rather than with real goods and services. Such a country is in the happy position, moreover, of being able to compensate for the ensuing leakage of liquidity from the domestic economy by creating at will fresh supplies of money and credit.
>
> In effect, under the gold exchange standard the key currency country is spared any need to moderate or alter domestic policy in the interest of the balance of payments. In particular, it can enjoy the illusion of relative price stability at home by exporting domestically generated inflation to other countries via its balance of payments deficits.
>
> The system commences to founder, however, when excess amounts of the key currency accumulate in other countries, provoking fears that it is no longer as "good as gold," and causing its conversion into gold at an accelerated rate.

Thus the theory of continuous "deficits without tears" has been the propensity to spread inflation through the world economy and expose it to sudden collapse, as in 1931. This is where we are now. The policies of the Johnson Administration have placed us in a fool's paradise, where the rug can be jerked from under us at any moment.

The foreign aid drain has continued for 20 years and consumed (counting in the latest due bill) more than $117 billion. As the government must borrow to finance its international charity, annual interest charges on money pre-

viously borrowed to give away is now at the rate of $4 billion. Counting in interest charges over the years, the total cost to the taxpayers is around $144 billion.

So great has been America's outpouring of wealth to foreign nations that many of them have accumulated dollars far in excess of their needs for commerce. Consequently, they have demanded gold in exchange for the dollars, and this is a principal contributing cause to the steady attrition of the U.S. gold hoard, with its inescapable effect of weakening the dollar. There are already enough dollar credits in foreign hands to buy up our entire gold reserves.

How long is Congress going to permit this lunacy to continue?

CHAPTER XIV

TWO-PRONG STRATEGY

Here we are face to face with possibly the greatest crisis in human history—certainly the greatest crisis in 500 years—yet our political, church, and business leaders seem either quite oblivious of, or quite indifferent to, the fact.

Let us go back to the visit of Nikita Khrushchev to the United States in 1959. Why was he invited? It certainly could not have been for the purpose of impressing him with the military and industrial might of America or of converting him to so-called capitalism. Neither could it have been in the vain hope of softening up the Soviet regime. Their objective has never changed; the policy by which they have pursued that objective has been constant. Only strategy and tactics have altered to changing conditions.

It has been consistently, and it remains, the avowed goal of the communist rulers to smash Western democracy and the Christian Church—and, with the blind cooperation of the democracies, they are well on the way to achieving their goal. But let us give credit where credit is due. Without Roosevelt, his shadowy advisers, and the State Department of the United States, communism would not occupy

such a dominant role in the world today. It is on this side of the Atlantic that we have to look for the *Architects* of present-day Soviet might.

Thanks to Yalta, Potsdam, and the betrayal of China—a betrayal which literally handed over the teeming millions of that country to communist tyranny—not to mention the careless abandon (was it careless?) with which atomic secrets were revealed to the Soviet regime, today the communist bloc possesses a military striking force of formidable strength. For what purpose? The plain answer is provided by their consistent policy of predatory aggression and their repeated insistence that the capitalist democracies must be destroyed—despite recent propaganda about peaceful co-existence. To this end the military might of communism is supported by a highly organized and powerfully effective fifth column strongly entrenched within the democracies for the avowed purpose of causing disruption, weakening morale, and insidiously propagating communist doctrine and promoting communist policies.

Today the Western democracies are on the defensive; the communist bloc is attacking from a position of growing strength. Is it likely that at such a time they would permit themselves to be deflected from their main objective? The idea is absurd.

Let us pass over the seemingly mysterious reasons that prompted the invitation to Khrushchev to visit the United States in a blaze of publicity which resounded to the advantage of the Soviet regime. Consider, rather, his purpose in accepting.

The Soviet regimes from the time of Lenin have made no secret of their conviction that, in their drive towards world revolution, war between the communist countries and so-called capitalist democracies is inevitable. They have been equally forthright in stating that they would build up their military might until they were too powerful to be attacked; then they would unleash upon the decadent

capitalist government a peace offensive of irresistible intensity, and when these responded thankfully and weakened their defenses, the armed might of communism would crush them to open the way for world revolution.

However, that is but one of the two prongs of Soviet strategy. Karl Marx, with his theory of surplus values, had laid down that capitalist free enterprise economies had within them the seeds of their own destruction. Within more recent years, however, the late Clifford Hugh Douglas provided conclusive evidence that it is not free enterprise capitalism, as such, which is at fault, but the financial system under which it is operated.

In his brilliant analysis of orthodox finance he demonstrated, beyond any possible doubt, that under the monetary system common to the Western nations, the public never receives sufficient purchasing power to buy their total production at economic prices; that the system can be made to work only (a) during an expansion of the economy and money supply by piling up huge and mounting debt, accompanied by rising prices, and increasing emphasis on military and capital production which distributes incomes but does not come on the consumer market; or (b) by periodic adjustment involving a deliberate restriction of economic activity with widespread unemployment, bankruptcies, and general economic depression.

At present the Western countries are trying to make the system work under the former conditions (expanding economies) with the result that a continuing inflation of prices has reduced the value of money in terms of its purchasing power by one-half within a period of two decades.

The cause and nature of the defects in the monetary system are technical and a subject for study. Those interested in acquiring this knowledge are referred to *The Monopoly of Credit* and other works by C. H. Douglas. The important fact for our purpose is that Douglas has

shown that our financial system cannot work; that it is only a question of time before it breaks down. And the breakdown of the monetary system must result in economic collapse. Furthermore, his analysis showed that the financial system results in the progressive centralization of economic power, concentrated in vast corporations, combines and monopolies; that in the process the real government of countries has been transferred from legislatures to banking parlors and board rooms; in short, that political democracy has been replaced by economic serfdom.

Douglas' analysis of the financial system and its relation to genuine democracy is at once more fundamental and devastating than the criticism of Marx or any other economist. It would be blind folly to assume that the Soviet regime is not fully conversant with it. Moreover, they are not so stupid that they are unaware of the obvious fact that the postwar economics of the West have been kept operating only by means of a continuing inflation of prices combined with two major devices for distributing income to people without dumping the corresponding volume of goods on the market. The first of these is the huge expenditures on defense, and the other is the various "give away" programs—in particular of the United States. Of the two, defense expenditures have been the more important in keeping the economy working.

Stop the defense expenditures of the Western democracies, and an oversize monkey wrench would be thrown into the operation of their respective economies—with the impact being greatest on the most highly industrialized countries, of which the U.S.A. and Great Britain are well in the lead.

With the foregoing in mind, we can now assess the purpose of the Nikita Khrushchev visit and the Soviet offensive against the West.

Broadly, Khrushchev set himself three main jobs during his tour of the United States:

FIRST, to sell himself to the American people as "Big Brother"—a "Good Joe"—brimming over with the milk of human kindness.

SECOND, to use the opportunity afforded to him by TV, radio, and press to sow the seeds of conviction in as many American homes as possible that communism is not what it was represented to be, but rather a way of life with such a compelling appeal and so right that it must displace free enterprise capitalism—so the democracies might as well relax and accept the inevitable.

THIRD—and this was the dominant purpose of his visit—to use the U.N. Assembly as a platform to unleash a peace offensive in such dramatic terms that it could not fail to have an impact on millions—full and complete disarmament, involving the destruction of all war materials, weapons, navies, and air forces, and the disbanding of all fighting forces; nothing less.

The extent to which Khrushchev succeeded is a matter of record. And it was of a significance which should not be overlooked that he displayed complete confidence on the outcome in revealing Soviet strategy.

Having got themselves into a position of overwhelming military strength, the Soviet Union is confident that the West dare not embark on war. For their part, they do not want a war of devastating proportions, the outcome of which is problematical. They know with certainty that the economies of the West are vulnerable. They know that it is only the huge expenditures on defense, and the enormous volume of exports, which are bolstering the economics of the United States and Great Britain—their Number One targets.

Their obvious strategy, then, is to force upon the West large scale disarmament, over a short period, at the same time forcing their way into those foreign markets on which the United States, Britain, and others rely for their ex-

ports. And, of course, the Soviet Union can sell in those markets at any price they want under communism.

This strategy is not only aimed at the economic disruption of the democracies as a prelude to communist revolution: but it also ensures that as the West gets weaker, the USSR will strengthen its economy and, therefore, in any program of disarmament retain military superiority in relation to the democracies—for it is not merely a country's armed forces, but the strength of the economy backing them which counts.

It is all too evident that the political and business leaders of the Western democracies are blind to the peril they face. Otherwise, surely they would be losing no time in rectifying the serious fault in their economies, which is the focus of the communist attack. It is unthinkable that the men in whose hands are the lives and destinies of millions of men, women and children, would consciously be the instruments for the collapse of what civilization remains to us, and the subjugation of their countrymen by the tyranny of communist rule. Yet, unknowingly, that is just what they are doing.

Think of it in these terms: There is no difference between an inflation year and a depression year, except the amount of money in circulation! All other factors remain the same. We have the same producing facilities. We have the same ambition to purchase the maximum of goods and services that can be produced. There's no change at all in ability to produce and desire to purchase.

But, in a depression period, we don't have the money to do these things! Conversely, in an inflation year, there is too much money in circulation; therefore prices and wages must go up! And when that happens, savings are wiped out, insurance no longer insures, Social Security becomes a farce and old-age pensions no longer fill the need for which they were designed.

And this all happens because there is either too much or too little money in circulation.

Therefore, the prosperity of the nation depends upon the amount of money in circulation; because the national income (total goods and services) must amount to three times the amount of money in circulation in any given year!

And who controls the amount of money? Not the people. Not the government. But the commercial banks! They create new money every time they make a loan. And they withdraw money every time they call in a loan.

The bankers, in most cases (but not all), will tell you that this is not true and will offer instead some vague and meaningless argument. They have been taught that the people must never be permitted to understand money and how it operates and how it controls their economic welfare. For, once the people really understand how this invisible government of money completely dominates and controls their economic welfare, they will insist upon a new system of money control which will keep constantly in circulation the right amount of money to permit full production, full employment, and full prosperity; while neither jeopardizing the savings of the older citizens, nor destroying the privilege of the younger citizens to build their own economic security without depending upon Uncle Sam to provide for them from cradle to grave.

This means that the right to expand or contract this imaginary money would immediately be taken out of the private hands of the private bankers, and transferred to the control of the elected representatives of the people, where the writers of the Constitution intended that this power should reside.

Our Constitution gave us power over mammon but, by deserting it, we have allowed mammon to become our god and master.

It can be demonstrated that by simple corrections within our financial system it would not only be possible to correct its faulty operation, but within a matter of months prices could be reduced substantially, all income increased, and everybody assured full Social Security under a strong and stable economy.

This is no theory. It is fact. The alternative is disaster on a scale too terrible to contemplate.

("The Shadows Before," by Desmond O'Connor; reprinted by permission from *The American Mercury*, Box 1306, Torrance, Calif. 90505; $10 per year)

CHAPTER XV

ENSLAVEMENT OF ALL MANKIND

For more than fifty years "We the People" have received a daily barrage from the press and pulpit, warning us that the only road to world peace lies in the submission of our liberties to the dictates of a world government.

The time has come for us to stop and consider how far down the path of destruction this giant conspiracy has carried our nation. The time has come, also, when we must take a long hard look at how many of our basic liberties have been usurped through fraud and deceit.

Before we can achieve an awareness of the scope of this plot against our country, we must first arrive at a definition of the phrase "We the People."

A society where a man would be the master of his own destiny, free to think, to reason, to act and to worship according to the dictates of his own conscience, with regards to the rights of other men, has long been the dream of freedom-loving men everywhere. For it is within this framework of freedom, where each man is free to serve his own self-interest, that the spirit of co-operation is born.

That the framers of our Constitution were aware of these truths is seen by the words of the Preamble, which are:

> We the people of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

In not one line of the Preamble is there mention of self-interest, but rather an effort to establish a heritage of freedom, justice, welfare, and liberty for their posterity.

Further, it is noticed that this is a government of "We the People," not the states. It is a union conceived by the consent of the governed and deriving its power from that source.

In the words of President Monroe, "The people, the highest authority known to our system, from whom all our institutions spring, and on whom they depend, formed it."

It is this truth, that it is "We the People" and not the states or federal government who are sovereign, that has made illegal much of the legislation of the past 50 years. It was the Supreme Court in 1905 which said the federal government has no right to barter away the sovereign rights of the people without the consent of the people.

When did the sovereign people of the United States give to its elected representatives the power to surrender their sovereign rights to a world government or any other international body?

It is this fundamental right of the American people to be free that has borne the brunt of attack of the proponents of world government. For without destroying this freedom, all other efforts are in vain.

There is a real power that operates from behind the scenes, dictating to other powers, including the United Nations, what can and cannot be done.

INTERNATIONAL MONETARY FUND and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Delegates from 44 countries attended the so-called United Nations Monetary and Financial Conference at Bretton Woods, N.H., on July 1-22, 1944.

At this conference was the architect of the International Fund, Harry Dexter White, Under Secretary of the Treasury during Roosevelt's Administration, and one of the three most important communist spies in the United States.

The proposal of Bretton Woods was to take effect when 65 per cent of the quotas set forth in its Schedule "A" had been signed and deposited, but in no case before May 1, 1945, or after December 31, 1945. It was, in fact, approved by Congress on July 31, 1945 and shortly thereafter became law, dispelling forever the notion that the Fund and the Bank were creations of the United Nations, although Harry Dexter White has been reported to have been the master mind behind all three organizations.

While Congress approved the proposal with only a few minor changes in its original form, upon closer examination it becomes obvious these changes strengthened, rather than lightened, the strangle hold upon the American people.

Let us now take a closer look at this proposal and see what sovereign power it leaves these United States after it is ratified by We, the People Sovereign.

It is interesting to note that Article 2 of the proposal is worded so that the original members of the Fund are not the nations, but the INDIVIDUALS of the countries represented at the conference.

The International Monetary Fund, which was to have precedence over the International Bank for Reconstruction and Development, was to have a capitalization of $8.8 billion, divided into 8.8 million shares with a par value of $1,000 each. The second organization was to be capitalized at $9.1 billion, with 9.1 million shares at a par value of $1,000, making in all a total of $17.9 billion in capitalization, of which the United States was to subscribe more than $5.9 billion, payable in not less than 25 per cent gold and the balance in each member's currency expressed in terms of gold as a common denominator or in terms of U.S. dollars of the weight and fineness in effect July 1, 1944.

But the above was only one of many ways open to the conspirators to bring about the greatest hoard of gold the world has ever seen. Scattered throughout the proposal were additional ways to plunder gold from the helpless members. For example:

Section 4 of Article III requires that each member who "consents" to an increase in its quota, pay to the Fund 25 per cent of the increase in gold.

Section 1 of Article IV provides, as mentioned before, that the par value of the currency in each member shall be expressed in terms of gold as a common denominator, or in terms of the U.S. dollar of the weight and fineness in effect July 1, 1944.

Section 8 of Article IV provides for the maintenance of the gold value of the Fund's assets. When it is considered these assets may consist of both the currencies and the obligations of the member nations, it would be difficult even to approximate the amount of gold that would have to be paid into the Fund to maintain such value.

Section 6 of Article V provides that any member seeking to acquire the currency of another can do so by purchasing it from the Fund for gold.

Section 7 of Article V permits members to purchase any part of the Fund's holdings for gold, but makes no mention of any contract by which it may subsequently require a member to do so in order to obtain the Fund's favor.

Thus it becomes abundantly clear that in spite of the Supreme Court's decision in the famous gold cases, which held that a gold standard money system, or any money measured in gold, is against the public interest and is unconstitutional because it destroys our constitutional power to regulate, and our own individual right to contract to our intentions, the purpose of the Fund is to accumulate the gold of the nations of the world and then return them to the gold standard.

The Constitution of the United States provides that the Congress shall have the right to coin money and regulate the value thereof. However, the provisions of the International Fund, in direct defiance of the Constitution, would allow the reimposition of the gold standard on this country. It would even give it the power to order our government to call in all currency in circulation in exchange for a new currency at a ratio of new for old.

The Fund would have the power to destroy our Constitution, negate the decisions of our Supreme Court, and virtually make or break all private industry at will. It would, in effect, take from We the People Sovereign our hardearned savings and put us at the mercy of another international banker made depression.

Because the Supreme Court has held the gold standard to be unconstitutional, and rest assured the internationalists are aware of this fact, it will require a constitutional amendment, approved by We the People Sovereign to make it legal.

Thus it is for a proposal to amend the Constitution, by an act of We the People Sovereign, in such a way as to

permit the re-establishment of the gold standard monetary system, that we must remain ever vigilant.

A further understanding of the sovereignties, immunities, and privileges of the Fund's board of governors, is necessary to realize fully the magnitude of this conspiracy against the American people.

Section 1, Article IX, provides that the Fund, in order to fulfill its functions, shall have the status, immunities and privileges of this Article within the territories of its member nations.

Section 2, Article IX, provides that the Fund shall possess full juridical personality, and, in particular, the capacity: (1) To contract; (2) To acquire and dispose of immovable and movable property; (3) To institute legal proceedings.

It is in this one Article that the Fund gains the power to judge, determine their status and enforce their own decisions, while reducing this and other member nations to the status of policemen.

To make doubly certain of its power over its member nations, the Fund, in Section 10 of Article IX, directs each nation to enforce the principles of the Article in terms of its own law, and report the action taken to the Fund.

Section 3, Article IX, prohibits the Fund from being sued in the courts of any state or country where it is located, except where it expressly waives that immunity.

Further protection for its nefarious scheme is granted the Fund by Section 4, Article IX, which states, "The property and assets of the Fund, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation, or any other form of seizure by executive or legislative action."

And, in a further effort to extend its control over mem-

ber nations, Section 6, Article IX, provides, "To the extent necessary to carry out operations provided for in this agreement, all property and assets of the Fund shall be free from restrictions, regulations, controls, and moratoria of any nature."

In addition, while the Fund is granted immunity from investigation while systematically robbing the American people of their liberty and property, it is also granted by Section 7, Article IX, the same diplomatic immunity as any other nation with consular representation in our sovereign territory, with the exception that we can ask the representatives of other nations to leave.

Thus is granted to the greatest alien conspiracy that has ever functioned within our nation, the right, even in time of war, to transmit our country's most vital military secrets to whomsoever it pleases.

If, at this point, there is still some doubt in the reader's mind that this is indeed an alien conspiracy, then Section 8, Article IX, relating to the "Immunities and Privileges of Officers and Employees," should forever dispel any such naive notions.

Part (2) of the Section states, "All Governors, Executive Directors, Alternates, Officers and employees NOT BEING LOCAL NATIONALS shall be granted the same immunities from immigration restrictions, alien registration requirements and national service obligations, and the same facilities as regards exchange restrictions, as are accorded by members to the representatives, officials and employees of comparable rank of other members."

The Articles of Agreement of the Fund contain yet another set of provisions so powerful as to threaten the very existence of our free enterprise system and bring about the total collapse of the bond and investment market in the United States.

Sections 1 and 9 of Article IX exempt from taxation

all assets, property income, operations, and transactions, as well as the salaries and emoluments paid by the Fund to Executive Directors, Alternates, Officers and employees of the Fund, WHO ARE NOT LOCAL CITIZENS, LOCAL SUBJECTS, OR OTHER LOCAL NATIONALS.

Also exempt from taxation is any obligation or security issued by the Fund, including any interest or dividend.

In open competition to private industry and in an attempt to steal away the wealth of this nation and use it to build the resources of other nations, whether they be friend or foe, the Fund may issue and sell the securities of any nation, tax exempt and execution free, to American investors.

As history has recorded, when the great civilizations fell into ruins, never to rise again, the wealth of these civilizations was in the hands of a few. TODAY LESS THAN ONE PER CENT OF THE PEOPLE CONTROL 90 PER CENT OF THE WEALTH OF THESE UNITED STATES.

> Source: *Money Made Mysterious*; 90¢ each from The American Mercury, Box 1306, Torrance, Calif. 90505

The time to awaken is NOW.

Let history say of this generation that we truly secured the blessings of liberty to ourselves and our posterity, ever mindful of the words of Meyer Amschel Rothschild, "Permit me to issue and control the money of a nation, and I care not who makes the laws."

CHAPTER XVI

MONEY PROBLEMS UNRESOLVED

Letter from John Adams to Thomas Jefferson:

> All the perplexities, confusions, and distresses in America arise, not from defects in the Constitution or confederation, not from want of honor or virtue, as much as from downright ignorance of the nature of coin, credit, and circulation.
>
> Source: Adams, Charles Francis, *The Work of John Adams,* Vol. 8, p. 447

Letter from Thomas Jefferson to John Adams:

> . . . And I sincerely believe, with you, that banking establishments are more dangerous than standing armies; and that the principle of spending money to be paid by posterity, under the name of funding is but swindling futurity on a large scale.
>
> Source: *The Writings of Thomas Jefferson,* G. P. Putnam's Sons, New York, 1892-9, Vol. X, p. 31

CAPITALISTIC SYSTEMS

Three Types

CAPITALISM MEANS MONEY AND CREDIT CREATION

I. STATE CAPITALISM

The monetary system of absolute monarchy and communism.

This is the monetary system of world communism where the government's money and credit are created for the benefit of the dictator and gang in power, who for all practical purposes own the state and its people. This is the monetary system of gangsterism and the corporate state.

"It is a presumption and high contempt in a subject to dispute what a king can do or say, that a king cannot do this or that."

Source: James I of England, 1603.

Communism and absolute monarchy are politically one and the same thing.

II. BRITISH BANKER CAPITALISM

The monetary system of the United States and the major nations of the free world, established in 1694 by the Bank of England. This system subverts the legal and constitutional government and leads to socialism or fascism through favored corporate creation and control of the government's money and credit. Under the monetary system of British type banker capitalism: "Those that create and issue the money and credit; direct the policies of government and hold in their hands the destiny of the people." (Reginald McKenna, Chairman of the Board and President, Midlands Bank of England, and former Chancellor of the Exchequer)

Source: *National Economy and the Banking System,* Senate Documents, Vol. 3, No. 23, 76th Congress, 1st Sess., 1939.

III. INDIVIDUAL CAPITALISM

The monetary system of the United States Constitution but never adopted. This is the political and monetary system of free enterprise conceived by the founding fathers. Money and credit to be created without favor for credit worthy citizens and corporations; and every citizen is a capitalist by means of control and use of the nation's money and credit. With this system of government there would be no national debt.

In his Annual Message to Congress of December 3, 1861, President Lincoln answered the bankers' argument that the people could not be trusted with this constitutional power by saying:

> No men living are more worthy to be trusted than those who toil up from poverty—none less inclined to take, or touch, aught which they have not honestly earned. Let them beware of surrendering a political power which they already possess, and which, if surrendered, will surely be used to close the door of advancement against such as they, and to fix new disabilities and burdens upon them, till all liberty shall be lost.
>
> Source: *The Collected Works of Abraham Lincoln,* Roy P. Basler, editor. New Brunswick, N.J.: Rutgers University Press, 1953, Vol. V, pp. 52-3

Money is the creature of law and the creation of the original issue of money should be maintained as an exclusive monopoly of national government.

Money possesses no value to the state other than given to it by circulation.

No duty is more imperative on the government than the duty it owes the people to furnish them with a sound and uniform currency, and of regulating the circulation of the medium of exchange so that labor will be protected from

a vicious currency, and commerce will be facilitated by cheap and safe exchanges.

Government, possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by taxation or otherwise, need not and should not borrow capital at interest as the means of financing governmental work and public enterprise. The government should create, issue, and circulate all the currency and credit needed to satisfy the spending power of the government and the buying power of consumers. The privilege of creating and issuing money is not only the supreme prerogative of government, but it is the government's greatest creative opportunity.

By the adoption of these principles, the long felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums in interest, discounts, and exchanges. The financing of all public enterprises, the maintenance of stable government and ordered progress, and the conduct of the Treasury will become matters of practical administration. The people can and will be furnished with a currency as safe as their own government. Money will cease to be master and become the servant of humanity. Democracy will rise superior to the money power.

This is the monetary system of a true republic provided for in the Constitution, which could put an end to the necessity for big government and socialism and which could be put into effect immediately if the voters so decided.

CONSTITUTIONAL MONEY

The history of money is fascinating. Money has always been closely tied with the history and the progress of the human race. There has never been an important historical era when the destiny of people, nations, and states was at stake, when the problems of money, credit, or trade were not somehow involved. Every decision in the inter-

national and local political field by the United States involves some aspect of the money and credit question.

History has shown, apart from wars and perhaps religious persecutions, no single factor has been more productive of misery and misfortune than the failure of governments to have sound monetary systems. This is clearly demonstrable from the course of events in various countries, ever since money became an important element in civilized communities. A stabilized price level and a smoothly working monetary system are things to be desired, second only to international and domestic peace, when it is remembered that throughout early history, kings and governments had insisted on their prerogative of issuing money and controlling money within their jurisdiction. It is very strange and unrealistic to find modern states and their citizens in the free world, accepting as though they were some divine laws, a limitation and veto of their sovereignty in the sphere of money and credit, so far-reaching in effects on their own powers and on the daily lives of the citizens. It is as if they were involved in an agreement to conform in all circumstances to a standard of value over which they have no control.

It is both commonplace and certain in history that economic power over the state by private individuals is poisonous to the state and to those individuals who have exercised it without proper guidelines and close supervision from the electorate. For when these are absent, greed for wealth and power keep the economic governors unwilling to surrender or limit their powers for the good of the state and its people. This has been the prime reason for the decline and fall of nations. No group of men who exercise the power of a despot can ever long retain the habit of republican responsibility to the state and its citizens.

The special weakness of every financial dictatorship or political government has been its inevitable tendency to identify its own private good with the public welfare. To

exercise great economic power continuously is to become separated from the wants and needs of the state and from those governed, for the financiers and politicians have definite economic interests of their own which conflict with the national welfare. Also, their desire for permanency and their bias against change works against political and economic reform. They believe if things remain the same, they will retain their privileges and advantages, but if things change, they may not keep them. This eventually brings about the fossilization of the state. They also wish to retain the dignity and importance which belong to their function and will make every effort to retain and expand their powers by legal or illegal means. Every system of government breeds this system of economic habit in its political parties and economic rulers.

The Greek philosophers believed this greed for wealth and power that no wealth or power could ever satisfy was a defect buried deep in human nature. They also believed that the present and the future repeat the past in ever recurring cycles of rise and fall because states were ruled by men with this weakness. Viewed in this light, the words of Patrick Henry, "Eternal vigilance is the price of liberty," take on new significance. Today, every citizen is dimly aware that in some way his daily business is affected by the operations of the monetary system, but he is quite unable to realize to what extent. To the vast majority, the actual principles of finance and the theory of money and credit are a closed book.

The framers of our Constitution devised a form of government for America, politically and economically more perfect than any that has been developed in man's history. This was so because it was based upon the fundamental principle that the state should exist for the individual, and that the individual, with his rights and his freedom, is paramount. This personal freedom was to include economic freedom, too. The Constitution gave the citizen the right to control the monetary system through his repre-

sentatives in Congress. But the people have never realized what was involved in Article I, Section 8, Clause 5 and 6, "To coin Money, regulate the Value thereof, and of foreign Coin, and fix the Standard of Weights and Measures; To provide for the Punishment of counterfeiting the Securities and current Coin of the United States." If they had been aware of the implications, and acted in their own best interests they would have achieved a minimum of government and a maximum of freedom in the United States.

Tax burdened Americans today would do well to remember and examine thoughtfully this principle of the Constitution. This should change their concept of free representative government, for without this constitutional principle, we still have taxation without representation. We must also realize and recognize that governments by their very nature are oppressive and inevitably tend to become more so as time passes and the governed lose their desire or the ability to participate directly in government.

The greatest need in the United States today is for a public understanding of money and the monetary system and our economic rights under the Constitution. It has become common among Congressmen to say: "All I know about money is that I never have enough of it." But perhaps the biggest hurdle to overcome among the general public is not the problem that they know little about the matter, but rather what they believe they know, and are sure is true, is usually false. This is not hard to understand if it is realized that people are exposed to a constant barrage of half-truths, misleading statements and out-and-out falsehoods. This is not only true from the news media and from the financial writers, but extends to college textbooks on money and banking as well as to the politicians. We must have public understanding of the money and credit system to avoid creeping socialism and growing statism which can destroy us just as subtly and probably

more completely than the actions of any foreign power. We must realize that we cannot have the form of government guaranteed to us by the Constitution, without a constitutional monetary system.

In the United States today, we have, for all practical purposes, two central governments. We have a federal government, which is visible for all to see, and we also have in Washington a somewhat hidden economic government called the Federal Reserve System, the nation's central bank, which stands above the elected government and which is controlled by the New York financial community. This bank has the power to check, revise, or overrule the elected government in all economic matters. It can make administrations and politicians popular or unpopular.

As an illustration of this fact, Mr. Marriner Eccles, who was Chairman of the Board of Governors of the Federal Reserve System longer than any other man, in testifying before the Joint Economic Committee in August, 1962, answered the question put to him by Chairman Rep. Wright Patman as to whether it was not a fact that the Federal Reserve system has more power than either the Congress or the President: "In the field of money and credit, yes."

Source: *State of the Economy and Policies for Full Employment,* p. 524.

During the Hearings on the Banking Act of 1935, Mr. H. Parker Willis testified. Mr. Willis was America's best known banking economist, had been president of the Central Bank of the Irish Free State and the Central Bank of the Philippines, and had advised many governments on monetary matters, including the United States. He also had helped draft the Federal Reserve Act and had been its first economist and secretary. He had also served as adviser to the large New York banks. He was questioned by Senator Cousins, Republican from Michigan, who had a net worth of over $30 million himself and was not de-

pendent on bankers' financing to remain in office. Mr. Willis said that he believed that the 1935 Banking Act, if passed, would not be enforced. Senator Cousins replied, "I have never seen any law ever passed that we could get the New York bank people to obey."

Mr. Willis: "Because they did not want to obey, perhaps."

Sen. Cousins: "I am afraid that is true, also."

Mr. Willis: "Then we are agreed on that."

Source: *Banking Act of 1935,* Hearings before a Subcommittee of the Banking and Currency Committee, U.S. Senate, 74th Cong., 1st Sess., on S.1715, May 1935, pp. 871-2.

The Federal Reserve System is in the wrong hands. No constitutional republic can function when the government's money powers are in the hands of a financial oligarchy such as the New York financiers.

This group of New York financiers and industrialists, who also are the American international bankers, consists of the following:

The Aldrich Rockefeller Group
The Mellon Interests
The Du Pont Interests
The Morgan-Guaranty Trust Syndicate
The Kuhn-Loeb Syndicate

These are known as the "big five." There are also three smaller groups which are known as:

The Boston Interest Group, who control large banks, insurance companies, and manufacturing concerns, etc., in their district.

The Chicago Interest Group, who control large banks, insurance companies, meat packing, and private utilities in their district.

The Cleveland Interest Group, who have control of large banks, insurance companies, steel, and various other industries in their district.

These eight interest groups are closely tied together by interlocking directorships. These facts have been established many times by economic research groups through studies of census data, stock ownership, and other means. This financial group has monopolized control of all the large banks and, for all practical purposes, all the large corporations, financial institutions, and insurance companies in the United States *through their control of the government's credit* and the right to manufacture money and credit.

They control or own all of the 21 private government bond dealers in New York City. The Treasury bonds and bills, except savings bonds sold to the general public, are all required by laws, passed by Congress, to be bought and sold through these 21 tollgate dealers. (See Banking Act of 1935). These 21 private dealers distribute geographically bank reserves for the member banks of the Federal Reserve System. That is why New York is the money center of the United States and always will be, as long as this group is able to control the government's monetary system.

These eight interest groups also control the Federal Reserve System and the United States Treasury, even though they are both government agencies. But, for that matter, they also control the Congress and the office of the Presidency of the United States.

The Congressmen, who follow the New York financiers' bidding on economic matters, whether Democrat or Republican, are provided for by means of ample bank credit, financial help during political campaigns, appointments to the right committees, and bank loans for safe investment ventures. The Congressmen who vote for the best interest of the government and their constituents are denied those

privileges and the large campaign funds go to their opponents in the next election; consequently, they are usually "one-termers."

And there is the "T&T Club," (out Thursday, in Tuesday). Every Thursday afternoon, the great majority of the House and Senate members leave Washington for New York, Philadelphia, Pittsburgh, Hartford, Conn., Chicago, Detroit, and Wilmington, Del., where they work for corporations owned or controlled by the New York financiers, and then return to Washington Tuesday, if it is convenient. A great many Congressmen earn much more money from these "T&T" activities than they do from their government salaries. This is a conflict of interest, but a small price for these financiers to pay for the control of the nation's money and credit.

Under the title, "What is Wrong with Congress?" the following quotes appeared in *U.S. News & World Report,* September 12, 1960:

> *Rep. W. J. Bryan Dorn (D-S.C.):* A lot of lawyers in the East want to go home and practice law every week end.
>
> *Sen. Karl E. Mundt (R-S. Dak.):* The leadership in both houses tends to adjust congressional schedules to the "Tuesday through Thursday" routine, which best fits the convenience of members on the East Coast, and tends to delay the completion of business much longer than would be true if full schedules of activities were followed from Monday through Friday.
>
> *Rep. W. R. Poage (D-Tex.):* There are about 250 House members of what we know as the TTT Club (Tuesday through Thursday). They live in the Northeast and as far west as Chicago. Other members are no better, but a man in my area simply cannot afford either the time or the money to go home each week end. Very few of the TTT Club members will bother to attend a committee meeting if it is inconvenient. The result is we do not get the work done. I think that any member of Congress should be dropped by

a committee unless he attends, or offers a legitimate excuse as sickness, at least half of the committee meetings.

A Republican Senator, who preferred to remain anonymous:

Congress is too much motivated by fears and anxieties concerning pressure groups and the "next election."

Rep. Frank Chelf (D-Ky.): In my opinion, a considerable amount of our inability to operate early in the session is because of the powerful influence of the "T&T Club"—in Tuesday and out Thursday.

Rep. Wint Smith (R-Kans.): Congress has become subservient to pressure groups.

Rep. Wright Patman (D-Tex.): Many of the bills Congress passes are never mentioned in the public press, either before or after passage. And most are mentioned only in a capsuled way, characterized with slogans which frequently mislead more than they inform. There is usually someone around to supply the slogans which the press picks up.

Most of the time the public does not know what Congress is doing and, all too frequently, members of Congress do not know what they are doing. The two conditions are not unrelated.

Through this control of Congress, the financial interests of the United States have been able to control the nominating conventions of both political parties. In this way, they have been able to hand pick the presidential nominees so that no matter which party wins, their nominee for President is under definite obligations to let the New York financiers control the Treasury, the State Department, the Comptroller of the Currency, and the Attorney General. The office of the President of the United States has become very much like that of an elected monarchy and is largely a ceremonial office. Successful national politicians must be skilled actors and able to convince the

electorate that they are exercising great power, when actually they are not.

This is not an abnormal situation in a country with a debt monetary system. The English Parliament has functioned in the same way since 1694. Privately, many Congressmen excuse their conduct on these grounds and say that they are only doing what comes naturally, that they didn't create the system and nothing can be done about it, unless the voters demand it, because of the power the banking lobby of the American Banking Association holds over Congress and the news media.

This fact was well known to Adams and Jefferson and the founding fathers. They knew that it is impossible to have a constitutional republic without a constitutional monetary system because British type banker capitalism is a political system that subverts the elected representatives and the state eventually goes down through fossilization and economic pressures. The Revolutionary War was fought over this principle.

In the 1760's Benjamin Franklin was in London on some trade matters, and was asked to speak at a dinner. He was asked the question, "How do you account for the prosperity in the American colonies?" Franklin replied, "That is simple. It is only because in the colonies we issue our own money. It is called colonial script and we issue it in the proper proportions to accommodate trade and commerce."

Not long after this, a bill was prepared by the Bank of England and introduced in Parliament declaring that no colony could issue its own money. The colonies then had to discard their script and issue bonds and sell them to the Bank of England to get money. For the first time, the money in the United States began to be based on debt.

Benjamin Franklin stated that in one year from that date, the streets of the colonies were filled with the unemployed because the Bank of England gave the colonies

only half as many units of payment in borrowed money from the Bank of England as they had in script. In other words, their circulating medium was reduced 50 per cent and nearly everyone become unemployed. The poorhouses became filled, according to Franklin's statement. Franklin went further than that. He said that this was the original cause of the Revolutionary War. In his own language: "The Colonies would gladly have borne the little tax on tea and other matters had it not been that England took away from the colonies their money, which created unemployment and dissatisfaction."

Source: *National Economy and the Banking System,* Senate Documents, Vol. 3, No. 23, 76th Congress, 1st Session 1939. See Senate Hearings, Banking Act 1935, p. 784, and the *Writings of Benjamin Franklin,* by A. H. Smyth, Macmillan Co., 1907

This corruption of Congress and the President of the United States would not have been surprising to Benjamin Franklin or Thomas Jefferson.

When Franklin came out of the meeting after the Constitution had been drafted, someone asked him, "What form of government have they given us?" Franklin replied, "A republic, if you can keep it."

The fact that Franklin understood the main problem of republican government can be appreciated from a letter he wrote, approximately three years before the Constitution was drafted.

Passy, July 26, 1784

* * * It is wonderful how preposterously the affairs of this world are managed. Naturally one would imagine that the interest of a few individuals should give way to general interest; but individuals manage their affairs with so much more application, industry, and address, than the public do theirs, that general interest most commonly gives way to particular. We assemble parliaments and councils to have the benefit of their collected wisdom; but we

> necessarily have, at the same time, the inconvenience of their collected passions, prejudices, and *private interests.* By the help of these, artful men overpower their wisdom, and dupe its possessor; and if we may judge by the acts, arrests, and edicts, all the world over, for regulating commerce, an assembly of great men is the greatest fool upon earth.
>
> Source: *The Writings of Benjamin Franklin,* Vol. II by A. H. Smyth, Macmillan Co., 1907, p. 194

The same fact is emphasized in the following quotation from a letter by Thomas Jefferson, the third President, to John Adams, the second President of the United States.

> * * * and believing, as I do, that the mass of the citizens is the safest depository of their own rights, and especially, that the evils flowing from the duperies of the people, are less injurious than those from the egoism of their agents. I am a friend to that composition of government which has in it the most of this ingredient.* * * *
>
> Source: *The Writings of Thomas Jefferson,* Vol. X, G. P. Putnam's Sons, New York, 1892-9, p. 31

Mr. MacKenzie King, who for many years worked for New York financial interests, including the Rockefellers, prior to becoming Premier of Canada, made this statement in opposing the legislation under which the Bank of Canada, a bankers' central bank and modeled after the Bank of England, was being established in the dominion in 1934.

> Once a nation parts with the control of its currency and credit, it matters not who makes the nation's laws.
>
> Until the control of the issue of currency and credit is restored to government and recognized as its most conspicuous and sacred responsibility, all talk of the sovereignty of Parliament and of Democracy is idle and futile.

Even the ordinary dictionary distinguishes between these two different types of political and economic systems.

Republic (Webster's Dictionary)

1. (a) a state or nation in which the supreme power rests in all the citizens entitled to vote (the electorate) and is exercised by representatives elected, directly or indirectly, by them and *responsible to them;*

   (b) the form of government of such a state or nation.

The founders of the Constitution laid the cornerstone of our national republic.

(The constitutional provisions on money were not followed so the United States has never been a true republic.)

Capitalism: (This form should properly be called British Banker Capitalism).

1. A system that favors the concentration of capital in the hands of a few.
2. The power and influence of concentrated capital.
3. The possession of capital.

(Funk & Wagnalls College Dictionary)

Capitalistic System: (This form, too, is British Banker Capitalism)

An economic system of capital in which capitalists play the dominant roles. It has been characterized by a tendency toward concentration of wealth and in its later phase, by the growth of great corporations and increased governmental control, etc. (Webster's Dictionary).

Under British Banker Capitalism, a capitalist is an individual or corporation who can create or manufacture money. An individual or corporation who possesses great

wealth but has not had this governmental function to create money delegated to him is not a capitalist. This is why Adams, Jefferson, and Lincoln believed that banker capitalism was more dangerous to our liberties than standing armies. In a republic, banks would lend money but could not create or manufacture it.

A free enterprise republic would give the United States an economic system that was actually competitive, where ingenuity and hard work would be much better rewarded than in a planned and controlled economy, such as we have today where the private money managers can make or break any business man or company in the nation and can create and destroy the money; can and have brought on recessions, depressions, and panics in order to concentrate the wealth of the country in their own hands. This prevents true competition and leads to big government, socialism, or fascism.

Oliver Wendell Holmes, former Justice of the Supreme Court, said:

"I don't disguise my feelings that the Sherman Anti-trust Act is a humbug, fashioned on economic ignorance and incompetence."

Source: *Holmes Pollack Letters,* 1941-44, p. 163.

In a free constitutional republic, as envisioned by the founding fathers, money would function as a free society's bookkeeping system, a system where each individual is credited for what he contributes to the society's economy and is debited for what he receives from the society's economy. A good constitutional money system would permit a free society to organize its economic efforts efficiently, and private enterprise could devote a large part of its current efforts to building tools, plants, and know-how for production in the future. The nation would avoid recessions, provide for steady, even economic growth, expand our foreign trade, solve our farm problems through export sales of surpluses, and quickly end foreign aid by

establishing the foreign bank branches, called for in the Federal Reserve Act of 1913. We could then have a dollar of uniform purchasing and debt paying power from one generation to the next without crushing taxation, as is the case today; and we could pay off our national debt without one more or one less dollar in circulation. This would relieve the taxpayer of the approximately $14 billion a year that he must pay in federal income tax to service the national debt. We could then refund and refinance the debt of the states, counties, and cities and put them on a sound financial pay-as-you-go basis. Most of this state, county, and city debt is held by financial corporations who created the money to buy the bonds and pay no income tax on the interest earnings.

Congressman Patman asked Mr. Martin, Chairman of the Board of Governors of the Federal Reserve System, "Do you look with favor upon the banks creating money to buy tax-exempt bonds?"

Mr. Martin: "You and I discussed this before. I have never been in favor of tax-exempt securities. I suspect the Congress is not likely to change that."

Source: *Policies for Full Employment,* p. 639, Joint Economic Committee, August 1962.

No one can justify this policy. There are about $10 billion of these bonds issued each year which are tax-exempt. Soon much of the big wealth of the country is going to be in these tax-exempt and government bonds and the ordinary taxpayer is going to pay more and more taxes. Under a constitutional money system, the American taxpayer would pay far less tax and at the same time make more money due to increased economic activity.

The Federal Reserve System was supposedly set up in 1913 with the purpose of trying to remedy some of the deficiencies in the marginal reserve system of banking. Anyone who remembers the 1921 and 1929 depressions

and recessions since knows that it was not successful in this respect.

How this system of private banks creating money evolved from the practices of the goldsmith bankers of Western Europe is a long and involved subject. Sometimes a simple little fable will explain the workings and the dangers of such a system more clearly than a college textbook. Most of its evils, such as the marginal reserve system, still exist in the modern banking system. Some of the great modern banks in Europe started as goldsmith banks.

Since money is a social and political system, a nation must either design, improve and manage its money system wisely or risk the consequence of certain disaster.

Woodrow Wilson, in a speech in 1916, referred to the financial oligarchy that controls the Federal Reserve System:

> A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the nation, therefore, and all our activities are in the hands of a few men * * *. We have come to be one of the worst ruled, one of the most completely controlled and dominated governments in the civilized world—no longer a government by free opinion, no longer a government by conviction and the vote of the majority, but a government by the opinion and duress of small groups of dominant men.
>
> Source: *National Economy and the Banking System,* Senate Documents, Col. 3, No. 23, 76th Congress, 1st Session, 1939

Such a financial oligarchy has controlled every United States Congress since 1788 and every United States President since the death of Abraham Lincoln. With the government's money creating power in private hands, it would be naive to believe that the men who exercise this

great power over the nation's money and credit would allow politicians, who are absolutely dependent on their favors, to be nominated and elected and actually govern the country without veto power over their actions. This is expecting too much from human nature. In a republic, the supreme power rests with the people, but the voters have not accepted this responsibility. It has gone to the private money creators by default.

The American people have been too preoccupied with their own affairs and have not taken the long view of what is best for the country. If the citizens were vigilant, as the founding fathers anticipated, these conditions could not have existed, or exist now. We must have a public citizens' committee to investigate Congress, the Administration, and our monetary system, for all the old dangers are still in our government—the monetary system and some new ones, too, that are threatening our national survival and way of life.

The so-called safeguards in our money system are largely a myth—such as the Federal Deposit Insurance Corporation, which is only a corporation and can go broke like any other corporation. The government does not guarantee bank deposits up to $15,000; the F.D.I.C. does. It has only $1.40 to guarantee every $100 of bank deposits in the United States and even for this protection, the Treasury is forced to tie up $3 billion in its account to give to the F.D.I.C. if it is needed—which is an added expense to the taxpayers, to provide this meager protection. If our Federal Reserve money managers decided to, they could throw the country into a money panic that would make the 1929 panic look like a picnic, and the F.D.I.C. wouldn't last a day.

All the Open Market Committee of the Federal Reserve System would have to do would be to sell $10 or $15 billion of the Federal Reserve System portfolio of government securities and then not furnish the reserves to the commercial banking system to pay for them. There

are several ways that this could be done. This would collapse bank credit on such a scale that 1932 would look like a time of prosperity. The Federal Reserve Board was given this authority for the second time under the Vault Cash Bill, S1120, passed by Congress and signed by President Eisenhower, 1959, to do just this, if they so desire.

Congressman Wright Patman of Texas had this to say about S1120:

> This legislation commences a new practice of putting government bonds back into circulation after they have been paid for with government money, and this will require their payment the second time—and maybe the third or fourth time. This does not make any kind of sense—common, book, or horse—but it does make nonsense. The reason is the people generally are not informed about it and enter no protest. The members of Congress have terrific pressure from the banking lobby that will profit so handsomely from this give-away. Our exposes are scandalous and shocking but they are only printed in the daily *Congressional Record,* which is read by few people—although it can be subscribed for like any other publication for $1.50 a month. This is all happening right here in the United States of America in broad daylight—while the Members of Congress have their eyes wide open with printed testimony from banker representatives disclosing in large type—not fine print—exactly what they propose to do. (From William John Bryan's book *The United States' Unresolved Monetary and Political Problems.)*

CHAPTER XVII

MONEY DICTATORSHIP

Actually, what we have in this country is a money dictatorship. The Federal Reserve System does not resemble anything else in our democratic government. Nothing else comes close to equalling the absolute autocratic powers of the Federal Reserve.

When you take a long hard look at the structure, you come to realize that the Federal Reserve System has been shaped along the lines of agencies that are usually found in totalitarian states.

Now, I am not by any stretch of the imagination accusing the Federal Reserve, any of its members, or any banker of being communistic. I want to make that point crystal clear.

However, the parallel between the setup for the Communist Party in Russia and the Federal Reserve System in the United States is startling.

In the Soviet Union, a tightly knit clique of the Communist Party runs everything, operating in total secrecy and with total disregard for the wishes of the people and the Russian Constitution.

In the United States, the monetary affairs are run by a tightly knit clique of bankers, within the Federal Reserve System, operating in total secrecy and with total disregard for the people and for the Constitution of the United States. In both countries, a small group of people have knowledge of, and benefit from, the decisions of these tightly knit cliques.

In the United States, monetary policy is basically controlled by the seven members of the Federal Reserve Board, the 12 presidents, and the 108 directors of the 12 Federal Reserve banks. These 127 people, operating in a secretive manner, have absolute power over monetary decisions.

In the Soviet Union, there are 133 members of the Central Committee of the Communist Party. This is the group that runs everything in Russia.

Both the Federal Reserve System and the Communist Party in Russia also have a more elite group—a small super committee.

In the Federal Reserve System, this group is known as the Federal Open Market Committee, and is composed of the seven members of the Federal Reserve Board and five of the 12 presidents of the Federal Reserve banks—12 in all—with the other seven presidents participating.

In the Soviet Union, this is a small committee within the Central Committee known as the Politburo. This has 11 members compared with the Federal Open Market Committee's 12.

When the Federal Open Market Committee meets every three weeks in Washington, it goes behind locked doors. The shades are drawn, and the "Gestapo" is put out in the hall to guard against any possible intrusion by outsiders. We never know what goes on in these meetings—until six years later—after the statute of limitations has run on any crime that might have been committed. It is in these

sessions that the monetary decisions, interest rates, and the money supply are decided. Not even the President of the United States can attend these secret sessions.

In the Soviet Union, the Politburo meets several times a month in Moscow in totally secret sessions. No one is allowed past the armed guards. Like the Federal Open Market Committee, the decisions of the Politburo are kept secret until the party decides to release the information.

In both the Soviet Union and in the Federal Reserve System, favors are dispensed to a select few.

The decisions of the Federal Open Market Committee on monetary affairs are made known to a handful of bankers and big business allies—perhaps as many as 2,000 to 3,000 people. They are the only ones who get this favored information and, of course, they are the ones who are in a position to profit from this knowledge.

In the Soviet Union, the Central Committee and the Politburo dispense favors to select members of the Communist Party. They get the advantages, the good housing, the cars, other special privileges and favored treatment.

The Communist Party takes care of its friends in Russia, and in the United States, the Federal Reserve takes care of its banker friends.

In both countries, the people are shut out. The people do not take part in the decisions and they do not benefit from them. Only an elite few get the benefit.

Now, in the Soviet Union, we might expect this situation. It is a totalitarian state and it is not surprising that these decisions benefit the few and not the many. But in the United States, it is strange—and I believe tragic—that we have a Federal Reserve System that operates in the same manner as the Communist Party. It is out of step with our other democratic institutions. It is the rotten apple in our barrel of democracy.

Again, I want to say that I am not accusing anyone of being a communist. But I am saying that both systems operate as dictatorships against the will of the people.

Both the Congress and the executive branch must do everything they can to correct this situation and to put our monetary policies back on the track. We must return our Federal Reserve System to the people of the United States. The elected representatives of the people—the Congress and the President—must exercise the proper control over these activities just as they do over other operations of the federal government. We cannot run from our responsibility.

Now, let me show the difference—and I am not accusing any Board member of being a communist, or any banker of being a communist, or anything like that—but totalitarian governments, whether they are communistic or fascist, operate just the same as the Federal Reserve Board operates.

Let me give you some parallel comparisons. Let us pick up with Soviet Russia, a communist country:

Comparison between totalitarian country and Federal Reserve System

COMMUNIST PARTY, SOVIET UNION	FEDERAL RESERVE, UNITED STATES
1. Seized power	1. Seized independence
2. Unelected	2. Unelected
3. Small committee—133 members—of Communist Party controls	3. Small group—12 members of Federal Reserve Board and Federal Reserve bank presidents—controls monetary decisions
4. 11 member Politburo—final decision maker	4. 12 member Federal Open Market Committee—final decision maker
5. Operates in total secrecy	5. Operates in total secrecy
6. Party minutes released only when favorable to party	6. Minutes secret until six years after meetings. Released before that only when favorable to Federal Reserve

7. Decisions benefit communist faithful who have inside knowledge	7. Decisions benefit comparatively small number of bankers who have inside knowledge
8. Favored treatment to communist elite	8. Favored treatment to bankers and their allies
9. Ignores Constitution of Soviet Union	9. Ignores Constitution of the United States
10. Can refuse credit to citizens of the country without reason—no appeal from refusal	10. Can refuse credit to citizens of the United States without reason—no appeal from refusal
11. Allocation of credit at most reasonable rates to small percentage of Russians who are members of the Communist Party	11. Allocation of credit at most reasonable rates to big bankers, big business, and those who have inside knowledge
12. Door of opportunity closed to 99 per cent of the people in Russia on availability of credit and equality of opportunity to receive credit	12. Door of opportunity and equality of opportunity to receive credit closed to most people in United States

Now that shows a comparison between totalitarian governments, and communism in particular, and what is going on here in the United States of America in broad daylight in monetary policy. This is resulting in the people being robbed and robbed and robbed every day by excessive, extortionate, and usurious interest rates. It should not be allowed to go on further.

DR. RUSSELL LEE NORBURN — 54 HILLTOP ROAD — ASHEVILLE, N. C.
28803

December 30, 1965

President Lyndon Johnson
The White House
Washington, D.C.

Dear Mr. President:

The carrying out of your vision of The Great Society may be stopped by the men presently responsible for the administration of our archaic monetary system. One of the basic causes of the American Revolutionary War was the edict inspired by the Bank of England, forbidding the colonies from issuing their own currency, and the Bank's subsequent failure to provide enough money for the expanding Colonial economy. Eighteenth century financiers and International Bankers realized that as long as they controlled the issue of the people's money, the form of our government made little difference. Except for a short period of time during the Civil War, when Lincoln issued the United States Legal Tender Note Currency to help save the Union, usurpers have been in control of the United States monetary system.

Thomas Jefferson protested the giving away of the hard won economic freedom, won by the Revolution. He also stated, in substance, that Congress would create the nation's greatest enemy by delegating its duty and authority to control the issue of our money.

The enslavement of our government and people in today's debts proves that Jefferson's keen foresight was right. Before the Federal Reserve Bank was established, Senator Norris and other men of vision felt that the government should print and handle its own currency, and wished to establish a true Federal Bank which would be owned and controlled entirely by the Government. Today's Federal Reserve System is no more owned by the Federal Government than is the United States Steel Company or the Federal Truck Company. Government supervision of the Federal Reserve has not and cannot protect the public interest. The evils of the system have always led to money crises, and is now a threat to a government of and by the people.

Years of study of this problem gives me confidence in privately owned banks using their own and depositors' money. They are a part of our free enterprise system and fill a need in today's economy. Many have not joined the Federal Reserve and some member banks do not approve of parts of the system.

A look at the enormous assets of the member banks of the Federal Reserve and then at the astronomical private and public debts, raises questions: Has Congress delegating its duty to supply the economy with money to the Federal Reserve been in the public interest? What has caused a 251% increase in bankruptcies during the past ten years?

The record shows that the Federal Reserve has unnecessarily forced the government to pay billions of dollars yearly on its own credit for a system of bookkeeping. The system's manipulation of credit and monetization of debts favorable to creditor interest, have resulted in making most of the public debt the legalized loot of a giant swindle.

The removal of the gold backing the Federal Reserve "deposits" and most of the silver from the coins enables us to see that money should be used for the exchange of goods and services, instead of for the exploitation of free men for special interest. It is our government's duty to provide honest money for moving goods from the producer to consumers.

Congress should supervise the issue of all of our money and the government's fiscal policies by a staff of well paid career economists working under the same civil service rules as those of the established departments of our government. With today's computers and government safeguards of the currency used by the Federal Reserve, sound dollars can be maintained in sufficient amount to keep the government from going into debt. All of the expenses of our Un-American Monetary System are paid for directly or indirectly by the people.

Mr. President, years of research convinces me that you would render the people a great service by having Congress terminate the private control of the issue of our money and a gradual ending of the government paying yearly billions of dollars of interest on its own credit.

The United States Legal Tender Note is the symbol of the economic freedom won by the Revolution and it is the only currency in circulation consistent with our form of government. The 346 million dollars of this currency issued by Lincoln, serves today's need of a medium of exchange. During the past hundred years, it has not cost the taxpayer one cent of interest or added one dollar to the public debt, which is the way all our currency should be. All profits from its issue should go to the Treasury instead to special interest. Congress carrying out its duty in providing the economy with honest money would lift consumer purchasing power, promote world trade and be a step toward world peace.

The enclosed reprint contains facts gathered over a period of years. It gives many details about the course of and the remedy for our economic ills. The statement is based on the highest authorities. It was my contribution to the 1964 Congressional Hearings.

Respectfully,

Russell Lee Norburn.

NOTE: Additional copies of this letter, as well as Dr. Norburn's Concluding Statement, Congressional Hearings, 1964, The Federal Reserve After Fifty Years, can be obtained by writing to: Omni Publications, P.O. Box 216, Hawthorne, Calif. 90250. Please send contribution to cover cost of handling.

United States Senate

COMMITTEE ON FINANCE

December 20, 1966

Dr. Russell L. Norburn
54 Hilltop Road
Asheville, North Carolina

Dear Dr. Norburn:

In your letter of November 30, you inquired as to the source of a provision which would enable the United States to buy back the twelve Federal reserve banks for $450 million.

You indicated that this reservation grew out of a 1927 Act of Congress. Actually, I believe the provision you refer to is Section 30 of the Federal Reserve Act originally enacted in 1913. This provision reads as follows:

> "The right to amend, alter, or repal this Act is hereby expressly reserved."

In connection with the 1927 legislation (P.L. 639, 69th Congress), the Senate Committee on Banking and Currency stated in its report that its legislation did not affect the right of Congress to amend, alter or repeal the Act. Specifically, in Senate Report 473 of the 69th Congress, it is stated:

> "Attention is called to the fact that section 30 of the Federal reserve act expressly reserves to Congress the right to amend, alter, or repeal the act. Congress, therefore, can at any time enact such amendments to the Federal reserve act as it deems desirable. The right to amend would not be impaired in any way by the extension of corporate existence in the manner provided for in this bill."

I am advised that if the Federal Reserve System were terminated, the Government would probably repurchase the capital stock in the Federal Reserve Banks now owned by the member banks. At the present time, the value of these capital shares amounts to something over $550 million. As of January, 1962, the amount of capital stock owned by the member banks was $444,157,000. This data is taken from the annual report of the Board of Governors of the Federal Reserve Systems of 1965 and 1961 respectively.

I believe this is the information you requested.

Sincerely,

Russell Long

Chairman

CHAPTER XVIII

PLAN FOR CONTROL

The following is a statement by Dr. Russell Lee Norburn before the Subcommittee on Domestic Finance of the Committee on Banking and Currency, House of Representatives, 88th Congress, 2nd Session:

> Gentlemen, thank you for the opportunity to make a comparison of the legal tender currency issued by the Treasury under the supervision of Congress and the Federal Reserve Note currency issued by that regulatory agency.
>
> It is my purpose also to bring for your consideration a proven plan which implemented by the Congress would bring under control the monetization of debts, government deficit financing, and inflation.
>
> Supporting facts based on the highest authority will be as brief as the importance of this subject permits.
>
> Legal tender has been used as far back as we have a history of a medium of exchange.
>
> In our research, Alexander Del Mar, *History of Monetary Systems,* page 38, states that within the Roman Empire "there was no individual coinage. Within prudent limits it made no difference whether

the coins were pure or impure, light or heavy, yellow or brown; no one could lawfully stamp them except the state." The record shows that for a period of nearly 900 years the empire had a more stable legal tender medium of exchange than the Federal Reserve has provided the United States during the past 50 years.

Private coinage began in Europe during the 16th and 17th centuries, with the gold standard, silver standard, and double standard. Del Mar is the authority for stating that "so long as money was governed by law, it was the whole number of coins reduced to one denomination that determined prices. When money ceased to be governed by law, as was the case after the legislation procured by the Dutch and English East India Companies, it was the whole quantity of metal that determined prices."

The fundamental cause of the American Revolution was the conservative policies of the privately owned and controlled Bank of England in failing to supply the colonies with money and because of their monopolistic system of financial exploitation of the British Government.

Practical Benjamin Franklin pioneered and printed legal tender note currency for the colonies. Among the reasons for this "continental currency" not being worth a "continental" was the ease with which it could be counterfeited. It was struck off on commercial paper of non-uniform size. The British Army used the counterfeit money as a weapon and flooded the country with the currency. The economic chaos it produced nearly caused General Washington to lose the war. It may have been the reason he finally approved Hamilton's plan of placing the issue of money for the new government under the control of vested interests like the Bank of England and other established European banks of that day.

It might be said, in passing, that after the Revolutionary War the new government paid the continental issue at par—not to the soldiers who had received it as pay, however, but mainly to speculators.

Washington was worn out by war. Authorities state that he wanted peace and considered the first U.S. bank only an expediency and its 20-year charter a time during which a monetary system in keeping with a republican form of government could be implemented. Washington, of course, could not foresee that while winning the revolution, the people had lost their hard-won economic freedom which is just as basic as freedom of speech, religion, or any other freedom.

The unfortunate experience of the continental currency was used by special interest and international bankers as propaganda against the United States using its legal tender as a medium of exchange. Thus, the newly formed government lost the control of its hard-earned economic freedom to predatory financiers. This is exactly what was done when the French money was destroyed at the time of the French Revolution.

Counterfeit money was printed in England and was injected into the French monetary system. It has been reliably stated that 17 printing presses and 400 men were employed in England at that time to manufacture and carry on the traffic in this counterfeit money. By this means the French revolutionary government's money (assignats) was destroyed. Later, the private bankers and financiers regained control of the new money system and acquired possession of most of the property of France.

On the return of Thomas Jefferson from his office as Ambassador to France to become Secretary of State, he found the first U.S. bank an established fact.

He was bitterly disappointed and opposed the bank as being unconstitutional, saying that it was an expediency and not a paramount necessity. Later Jefferson used stronger language and denounced the institution as "one of the most deadly hostilities against the principles and form of our Constitution."

Some have said that Jefferson did not favor a strong central bank. What he did not favor was the

delivery of our monetary system into private hands to be run for private profit as he had witnessed in England and France. He was in favor of a U.S. legal tender note currency and died protesting the evils of our banking system. His purpose was, instead of an aristocracy of wealth, to make an opening for an aristocracy of virtue and talent.

Andrew Jackson, too, saw the advantages of the government having full control of the issue of legal tender note currency. He said: "If Congress has a right under the Constitution to issue paper money, it was given them to be used by themselves, not to be delegated to individuals or corporations." Jackson's veto message for renewal of the second U.S. bank is a classic. The real U.S. bank that Jackson wanted was not established and a long period of disaster followed.

It is not within the scope of this paper to follow all the vicissitudes of our country's banking system. It is, however, necessary to relate in somewhat more detail the circumstances surrounding Lincoln's issuance of the U.S. legal tender notes.

In 1858 there were listed 5,400 separate descriptions of counterfeit notes. In 1862 there were about 1,600 banks chartered in the 29 states, together issuing 7,000 different kinds of banknotes of varying value. Payment in gold had been stopped by all banks. Bankers were demanding 28 per cent interest for money loaned to the government.

Into this confused atmosphere, and in order to finance the Civil War, Abraham Lincoln, with the approval of Congress, ordered the Treasury to issue inconvertible U.S. Notes to be used as legal tender. Lincoln's foresight at this critical period of our history not only enabled him to finance the war but also showed the way to free mankind from economic slavery. When issued, this currency was accepted at face value as a medium of exchange. It gave a boost to the economy, and some historians believe it enabled Lincoln to save the Union.

Woodrow Wilson, referring to this period of history, states:

> Money was once more easy to get * * * and could be used at its face value as well as gold itself to pay the mortgages off which the older times of stress had piled up. The "greenbacks" of the government became for the agricultural regions of the North and West a symbol of prosperity.

It may be added that when the farmers are prosperous, others in the main are prosperous. In any event, there has been at least one time when the people were not accumulating interest-bearing debts faster than property. That time was when Lincoln was issuing legal tender nonconvertible notes.

When special interests in control of banks and the gold found that the Treasury was encroaching on their own profitable monetary system, they used their great wealth and propaganda—the gimmick of gold—to sabotage the new currency by prevailing upon those in charge to put crippling wording upon the notes and by persuading the people to refuse to accept it.

We see today that the crucial issue was the determination of special interest to continue to usurp the prerogatives of state and regain control of the nation's money. The man who led and won this fight for the bankers was Salmon P. Chase, Lincoln's Secretary of the Treasury. Chase was a lawyer like Hamilton and worked hand and glove with the financial interests. In 1863 he succeeded in establishing the national banking system, returning the privilege of the issue and control of the currency to private hands.

The National Bank Act which may have been drawn up by the British Banking Association "became law by an act of a servile Congress over President Lincoln's strong protest." Lincoln's primary interest at that time, however, was to save the Union, and he could not at the same time fight the Confed-

eracy, the international bankers, and financiers like Jay Gould, who owned the gold and controlled the banks.

Due to all this—to the fortunes of war which threatened the government itself—the value of the U.S. legal tender notes bearing the words "legal tender, except for duties on imports and interest on the public debt," which had to be paid in gold, depreciated to a value of 35 cents on the dollar when Lee invaded the North. These notes were not the only ones that fell. Most private bank notes of the time became worthless and were never redeemed.

In 1869 the Supreme Court declared the issue of legal tender currency by the government unconstitutional, but only by a single vote. Changes in the Court's personnel occurred almost immediately, and in 1879 the decision was reversed. Despite this, the owners of the national bank retained their control of the issue of the people's money. Money remained scarce and times hard.

In 1874 a small group of patriotic and farseeing men attempted a real reform of our monetary system. Unable to interest existing political parties, they formed a new party, the American Independent National Party. This party advocated increasing the volume of Lincoln's U.S. Notes, and with these paying all government bonds not expressly payable in gold coin. The new party also advocated the suppression of all issues of currency by private bankers.

In 1878, after fusing with certain labor parties, the name was changed to the Greenback Labor Party. This symbol was chosen because the U.S. Notes were printed with green ink, so they might be readily distinguished from the yellow-colored gold certificates. In that year its members cast more than a million votes and elected 14 Congressmen.

Alarmed at the threat to their privileged position, the bankers rallied to the fight. Such misrepresentation of facts, villification, and ridicule have probably

never before nor since been used in American politics. These attacks aroused old superstitions and new fears in the minds of men who had since childhood been taught that gold coin was the only real money; who could, between panics, take paper money to a bank and exchange it for gold. The party's following decreased and soon after the 1884 election, it passed out of existence.

The next year Congress firmly re-established the government's promise to redeem the U.S. Notes, whereupon they went to par and the speculators who had bought up the currency made their enormous profit. Three hundred and forty-six million dollars of these "greenbacks" are still in circulation—the soundest money on earth because they are as sound as our government. In over 2,500 years there is no official record of legal tender currency having caused inflation when a responsible, strong government was in full control of the issue of all its money.

The country was on a rigid gold standard when it ran head on into the severe panics of 1893 and 1907. In the panic of 1907, banks being unable to supply the people with money, many industries, banks, and large companies printed small slips of paper tokens which were accepted by workmen and merchants as money in exchange for goods and services.

The nation's discontent with the defects of the privately owned and controlled national banking system caused Congress to talk of monetary reforms.

Senator Norris and other men of vision felt that the government should issue and handle its own currency and wished to establish a true U.S. bank which would be owned and controlled entirely by the government. Their views were cried down and a powerful machine-picked Senate committee appointed.

The Aldrich Commission, after months abroad visiting European banks, reported in favor of what amounts to a privately controlled system, eminently satisfactory to creditor interest. A prototype of the

Reichsbank was approved by Congress on December 23, 1913. It was named the Federal Reserve Act. The word "Reserve" indicated its 40 per cent gold requirement which was claimed to be its very cornerstone.

The Federal Reserve was a banker's bank. Despite some doubletalk as to who was to own the stock, it was provided that member banks had its refusal. They took all and still, today, own 100 per cent of it. When I say "member banks" I mean bankers and those they represent. It is not as impersonal as it sounds. The provision that the Governors of the Federal Reserve should be appointed by the President with advice and consent of the Senate was not consistent with the Constitution which, in listing the duties of Congress, section 8, includes the words, "To coin Money, regulate the Value thereof * * * " In fact, any participation by a Congressman was expressly forbidden by the act.

The small handbook printed by the Federal Reserve sounds fair enough but gives no idea of what is involved. *The Federal Reserve Act of 1913 with Amendments and Laws Relating to Banking* compiled by Gilman G. Udell, Superintendent Document Room, House of Representatives, shows that from August 4, 1914, to July 5, 1958, Congress approved over 200 amendments. These with the 27-page act make a volume of fine print with 487 pages, so complicated that the average citizen cannot understand it nor could the best meaning board of presidential appointees administer the act in such a way as to give the same equality of opportunity to each kind of business as the banks enjoy.

We have no intention today of entering this veritable maze. We must say, however, that as confusing as this is, the mind is even more baffled when it attempts to fit reports from this institution into actualities. As this leads to our point, we wish to give an example: The 45th Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the year 1958, page 15, states:

> The great bulk of the gold holdings of the United States (at the end of 1958, $20 billion out of a total of $20.6 billion) is held in the Treasury as security against a corresponding amount of gold certificates issued to the Federal Reserve banks. These gold certificates owned by the Federal Reserve banks, together with their holdings of the U.S. Government securities advanced to member banks and other assets serve as backing for Federal Reserve liabilities. Under the Federal Reserve Act, holding of gold certificates must not be less than 25 per cent of Federal Reserve Notes and deposit liabilities; actually the amount held greatly exceeds this minimum.

This seemed a strange report. Knowing that the system's gold requirement had by repeated suspensions been virtually eliminated; and having read several articles indicating that the report was misleading in that the United States owed more gold than we owned; and that foreign currencies had been pyramided on the gold stored in our vaults, I came to Washington in June, 1960, in an effort to learn the truth.

At the U.S. Department of Commerce I was told as a fact that we owed more gold to foreign interests than was stored in the nation's vaults and that it only remained in the United States through "a gentlemen's agreement."

Thus it is seen that though the Federal Reserve banks have no "reserve," the gimmick of gold is still used. If this is not to confuse, what then? The truth is that we are not on a gold standard, and should not be. Such ideas have no place in our thinking. For over 30 years we have not been able to exchange a single paper dollar for gold coin. It may be said in passing that you can exchange paper dollars for all the gold jewelry you want. Conversion into silver is now being brought to an end. The new $1 Federal Reserve Note omits the meaningless promise of redemption in "lawful money" and stands for what it and all the rest of our currency really is—

fiat money, pure and simple. This is as it should be, but that is not the whole story.

The Federal Reserve Notes are issued by the Treasury on the orders of officials of the Federal Reserve System and enter the economy through a complicated, privately owned and/or controlled banking system.

In all our government, the Federal Reserve System is the only place where those in control are allowed to have a conflict of interest.

Fifty years have passed since the Federal Reserve banks took over our monetary system and the management of our government bonds. Have the benefits accrued to the general public or have they accrued to the bankers and those they represent? Let us see.

In 1914 the per capita debt was about $12 and in 1963 around $1,600, although population had more than doubled. There have been more business failures during the past few years than since the early thirties and there are relatively fewer homes free of debt than 50 years ago. We cannot gloss over the fact that under present economic conditions, more hospital beds are filled with mental cases than all other ailments, and that doctors' offices are swamped with emotional and nervous wrecks. In my work as a physician I have often traced illnesses to tensions due to economic strain. This is true of many of our most gifted and cultured citizens, as well as others in this land of abundance. Skyrocketing debts and crime increasing five times as fast as population are largely due to the evils of our monetary system.

The individual who buys government bonds does so with hard earned dollars saved after taxes. Does this individual get the same value and protection that the banks receive? Of course he does not. If he holds his E bonds until maturity, his investment increases by one-third. In most cases inflation more than wipes out the increase as well as much of the

value of the invested dollars. If he uses the bond as a collateral, he must pay the bank more interest than is accruing on the bond.

To banks, however, the bonds gravitate as naturally as water flows downhill. The Conference on Economic Progress explains it this way:

> Further, the Treasury had to borrow about $200 billion during the war, of which only about $50 billion were loaned to the government by individuals. The balance was loaned mostly by banks, which acquired these holdings virtually without cost to their stockholders. The banks "paid for" these bondholdings merely by setting up on their books "credits to the Treasury."

And again—Dr. Dean Russell of the Foundation for Economic Education, Inc., in his monograph on *Money, Banking, Debt, and Inflation (how the Federal Reserve System Works),* pages 16 and 17, describes in detail the bewildering manipulations used by the banks in obtaining ownership of government bonds and fully justifies his conclusion, which is as follows:

> Thus the $6 billion worth of still unsold bonds was absorbed as planned by commercial banks which, in effect, had been given the money by the Fed to buy them.

No matter how acquired, the interest the government pays on these bonds is but a trifle compared to the profit from the manipulation of government and other credit. From less than one-fifth in 1939, government securities had become more than two-thirds of the earning assets of the banks by 1944.

In 1940 cash dividends declared by member banks of the Federal Reserve were $210,500,000; they were $832 million in 1962. My inquiry as to whether new capital invested in the banks warranted this increase was answered by the spokesman of the Board of Governors of the System as follows:

> Average total capital accounts of member banks were $5,597 million in 1940 and $19,066 million in 1962. The ratio of dividends declared to total capital accounts was 3.8 per cent in 1940 and 4.4 per cent in 1962. Although many other factors were important, retained earnings of member banks totaled $11,366 million over this period and accounted for most of the increases in total capital accounts.

The $11,366 million additional capital accruing between 1940 and 1962 represents earnings above published dividends paid out by these banks during this period. Was not the actual interest received on investment in 1962 10.8 per cent? This example shows that the Federal Reserve System has grown into such a Frankenstein that the average citizen is misled by their financial reports as well as their manipulation of government credit, and that any government supervision is of little value.

Congressional Record, appendix 11, 1961, pages A6293 to A6296 shows facts to prove that the annual federal subsidies to commercial banks amount to over $5 billion, and that with capital of $23 billion, banks have accumulated assets of $252 billion. The truth is that it is not practical for the government to support each type of business and all individuals just as it does the Federal Reserve System and the financiers.

Our progress has been due to developing a part of our great inheritance of natural resources during a favorable period of history by the many divisions of our economy and not to vested interests controlling the money created by the bankers. Our progress has indeed been great, but it is sobering—indeed a darkening thought to remember that it is not paid for—that we owe over a trillion dollars and that this amount continues to increase as a snowball does when rolled along.

The result of 50 years shows that our present monetary system is merely a finesse for perpetuating finan-

ciers dedicated to maintaining the status quo of the public good. Their use of gold, Federal Reserve Notes, and bank credit has resulted in exploitation of the government and people and enslavement of these in astronomical debts.

This is the true state of the union. No, the Federal Reserve System has not worked to the benefit of the nation as a whole. It did not prevent the great depression of the thirties nor will it prevent another, a greater, and this time perhaps a fatal one. We have done some patchwork, but the fundamental causes of the great depression have not been solved. The inherent fallacy of the System will inevitably bring the day of reckoning. There is already the feel of the late twenties in the air.

Let us compare a U.S. Note with a Federal Reserve Note. Both were paid me for my services. These notes are identical except that at the very top the words "United States Note" on one note have been replaced with the words "Federal Reserve Note," and the seal of the Federal Reserve Bank has been added to our Treasury seal. Both notes are made legal tender by government decree and both are obligations of the United States. Neither can be exchanged for gold.

The difference in these two notes lies in the fact that the U.S. Note was issued by the Treasury and entered direct into circulation as a medium of exchange for goods and services. The Federal Reserve Note was issued by officials of the Federal Reserve Bank upon authority delegated to them by Congress and enters circulation under the cloud of their monetary system. This authority has opened the door of the Treasury to special interests and their manipulation of bank credit and interest-bearing government bonds.

The banks and bankers are already receiving interest on their promissory notes. That is enough. The nation should not continue to favor this group by continuing to supply them with money on unequal

terms. Nor should it continue a practice which, in exchange for bookkeeping, transfers to them enormous wealth in the form of interest-bearing government bonds.

Government decree makes $30-odd billion of these Federal Reserve Notes legal tender money.

Now let us examine the U.S. Note. Though only a handful compared to the others, $346 million in these U.S. notes are still in circulation. They were issued by Lincoln and have been used to pay for goods and services from that day to this. In the past hundred years these notes have not cost the government one cent in interest, or added $1 to the public debt. Thirty years ago Congressman William Lemke, in speaking of these Civil War Notes, said:

> Of all the money, these notes have rendered the greatest service to the American people. They helped to win the Civil War. They have saved the nation more than $12 billion in interest since issued.

These notes are the best currency in the world. Despite what we may have been told, you and I know they have no gold backing and need none. They are backed by the seal and might and all the wealth at the disposal of the U.S. Government. They are declared by it to be full legal tender for all debts public and private, and are accompanied by the government's promise to redeem them by accepting them as taxes; which, in the last analysis, is the only way any government can pay its notes.

The official record shows that in our own day at a time of great stress, Congress acknowledged this as true; and turned to the U.S. Note as our basic medium of exchange and the one way, except by repudiation, of bringing debts under control.

In *The Federal Reserve Act of 1913*, U.S. Government Printing Office, Washington, 1958, on pages 150 and 151, under "(extract from) (Public No. 10, 73rd Congress)" is found the following: "Title III—

Financing: * * * and exercising power conferred by section 8 of Article I of the Constitution: 'To coin money and to regulate the value thereof.' "

On May 12, 1933, Congress authorized the President to issue $3 billion of these U.S. Notes and stated that they were to be the same notes as those approved by Congress February 25, 1862.

The President was persuaded by the financiers not to do this, assuring him that they were able to supply the money.

If, at that time, Congress had asserted the authority given it by the Constitution and had done its plain duty, members of Congress would have seen to it that the $3 billion of this sound legal tender notes were issued and used. Instead of authorizing more interest-bearing bonds, the public debt and inflation would be much less today. Increasing the interest-bearing public debt is like fighting fire with gasoline. Keeping currency scarce forces the people to pay interest for bank credit. Bank credit now has increased to over $300 billion. Thus there is ten times as much bank credit as there is currency to pay it.

Today's bank credit comes into existence every time the bank lends and disappears every time the loan is repaid to the bank. When thrifty people borrow from the bank for the production of goods and then repay their loans, the money (bank credit) disappears, leaving the consumer empty handed. In bad times when the banks will not lend, and when those who have deposits will not invest, there is no money with which to pay. That is what makes prosperity so dangerous. It destroys money just when it is most needed. Automation and unemployment will compound the danger. Less bank credit and more U.S. legal tender currency is the answer for the foreseeable future.

These non-interest bearing U.S. Notes, then—legal tender currency based on the economic freedom won by the American Revolution—are the best medium of

exchange to move the goods produced by industry and the farms into the hands of the consumer. It was the note Thomas Jefferson had in mind, 170 years ago, when he said that if the people were able to regain control of their money and issue legal tender notes, the government would never incur a public debt. All other currencies should be gradually retired and the U.S. Note, and this note only, should be made the basis of our monetary system.

The principle of such a currency is so simple that a child can understand it; that it is a government's duty to furnish to all its people, on equal terms, a medium of exchange in sufficient quantity to meet their needs.

The present-day issue of U.S. Notes would be as follows: The government, needing goods or services, or to pay its obligations, issues its bonds in the form of small, non-interest-bearing notes, and declares these legal tender. The U.S. Note should be paid directly by the Treasury (or, as checks mostly are used, send a check and credit the receiver's account). As the note is full legal tender money, the receiver may spend it in the nearest store, pay for services, invest it, save it, or lend it at interest. The note travels from hand to hand satisfying exchanges and debt. That is the history of the note I hold in my hand. The time for redemption is immaterial for it bears no interest. I, or another, will finally present it to the U.S. Treasury, as payment for taxes. The government accepts it, thus satisfying the debt it made during the Civil War. The cycle is complete. This little bond has cost not one cent in interest. It may be retired or may be reissued.

The agency for handling legal tender currency and notes should be a department of the Treasury under control of Congress. It should be composed of well qualified and reliable men. Payments for services and goods for the government and payment for the government's other obligations should be made direct by the Treasury. The Treasury, too, may make under direction of the President, where authorized by Con-

gress, long-term loans at low interest to distressed areas. All large operations should be handled by credit and debit on books, as at present. Circulating notes should be kept at safe levels by the use of computers, but the supply should be great enough so that interest-bearing bank credit is not forced upon the economy to the extent it is today. For general circulation the money might be loaned to banks at the proper interest so that the banks in turn might lend it to their customers.

Soon the Treasury should establish a school, somewhat similar to West Point, where personnel could be trained. These men, with the integrity of the postal employees or the Federal Bureau of Investigation, could advise and administer the system. They could also work out a method of foreign trade balances much superior to the present one. Japan, which has no gold, carried on extensive foreign trade.

As an example of the working of this system: the Secretary of the Treasury has now asked Congress to raise the Federal debt ceiling from $315 to $324 billion. (This money will not pay this year's interest on the public debt.) Instead of Congress authorizing the issue of $9 billion in additional interest-bearing bonds (at 4 per cent) Congress should authorize the issue of $9 billion legal tender notes bearing no interest. (It cannot be said that this is irresponsible and inflationary financing with nonconvertible U.S. Notes—we are going to increase credit this much anyway.) This would save $360 million interest during the current year and many, many billions in the years ahead.

To sum up: Our un-American monetary system should be replaced by one adequate to meet today's economy—one understandable to the average citizen.

Monetary stability is fundamental for a sound economy working within the law of supply and demand. The government's fiscal as well as its debt policy must be coordinated by civil service economists in the Treasury who are dedicated to the public

interest. It is the mandatory duty of Congress to assert its authority in seeing that U.S. Note currency is issued by the Treasury and that it is used as a medium of exchange. All other paper money should be retired as fast as it wears out. This would be the first step toward freeing our people and economy from the control of financiers and international bankers who have used the Federal Reserve System as a tool for exploitation beneficial to creditor interest.

All government bonds should be retired as fast as feasible with non-interest-bearing U.S. Notes with the view of bringing to an end the issuing of interest-bearing government paper.

A true American monetary system consistent with the Constitution and our republican form of government would free the people and government from astronomical debts, make for a strong economy, be a step toward peace, and become the standard of the world.

* * * * *

CHAPTER XIX

OUR ONLY HOPE

Abraham Lincoln was shot to death one evening in a darkened theater—and the people of the nation still wonder who instigated his assassination. It is passing strange, however, that a coded message was found in the trunk of Booth, the assassin, the key to which was discovered in Judah P. Benjamin's possession. Benjamin, you will remember, was the Civil War campaign strategist for the House of Rothschild. And it was Rothschild who said, "Let me control a nation's money and I care not who makes its laws."

> Salmon P. Chase, Secretary of the Treasury, 1861-1864: My agency in promoting the passage of the National Banking Act was the greatest financial mistake of my life. It has built up a monopoly which affects every interest in the country. It should be repealed but before that can be accomplished, the people will be arrayed on one side and the banks on the other, in a contest such as we have never seen before in this country.

> Horace Greeley: While boasting of our noble deeds, we are careful to conceal the ugly fact that by an iniquitous money system we have nationalized

> a system of oppression, which, though more refined, is not less cruel than the old system of chattel slavery.
>
> James A. Garfield: Whoever controls the volume of money in any country is absolute master of industry and commerce.
>
> Robert H. Hemphill (Credit Manager Federal Reserve Bank in Atlanta): If all the bank loans were paid no one would have a bank deposit and there would not be a dollar of currency in circulation. This is a staggering thought. We are completely dependent on the commercial banks. Someone has to borrow every dollar we have in circulation, cash, or credit. If the banks create ample synthetic money we are prosperous; if not, we starve. We are absolutely without a permanent money system. When one gets a complete grasp of the picture, the tragic absurdity of our hopeless position is almost incredible, but there it is. It (the banking problem) is the most important subject intelligent persons can investigate and reflect upon. It is so important that our present civilization may collapse unless it becomes widely understood and the defects remedied very soon.

The government and the people are economic slaves of the big bankers. The rope around our neck is being drawn tighter and tighter all the time.

Our economic slavery began with the Federal Reserve Act; it will end only if and when the control of currency is taken from the private bankers and returned to the Congress, where the Constitution affirms it belongs.

We are living in the days of the fulfillment of a prediction made by Thomas Jefferson:

> If the American people ever allow private banks to control the issue of currency, first by inflation, then by deflation, the banks and corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers conquered.

To some it may seem strange that of all the 18 powers and duties granted to Congress by the Constitution, the most important one is the only one to which Congress has not asserted its duties and power—that is, the full control of our monetary system. That this duty is the exception, however, is not strange. Early in our history the financiers realized that to control the issue of money was to control the wealth of the nation and the very life blood of our economy. The invisible government of these powerful financial interests has shaped the policies of Congress.

The future of long-term bond financing at this writing is extremely dubious. Since the central bankers have pyramided the system of national debts past the point where they can possibly be repaid, they are assets only because of the yearly interest collected. The central bankers are desperately trying to maintain an economic status quo and continue to collect that interest. This interest, of course, is more important than the astronomical and uncollectible principal.

The central bankers have tried to protect their interests by internationalizing their system of astronomical public debts, and by making the only financially sound nation, the United States, responsible for bankrupt European states. This was done by setting up the International Monetary Fund at Bretton Woods in 1944. Henry Hazlitt wrote in *Newsweek Magazine,* December 31, 1951:

> The chief remaining obstacle to a world restoration of freedom and sound money is the International Monetary Fund, an unnecessary institution set up under the influence of the late Lord Keynes and Harry Dexter White, on a completely unsound basis.

The architect of the International Fund, as previously stated, was Harry Dexter White, one of the three most important communist spies in America. With him at Bretton Woods were Frank Coe, Lauchlin Currie, William L. Ullman, and Nathan Silvermaster. All of these men have

been identified as communist traitors. President Truman appointed White as director of the International Monetary Fund AFTER the FBI informed him of White's communist background. Currie had been personal assistant to Franklin Roosevelt during the Second World War. Currie, Hiss, White, and Coe enjoyed direct Presidential immunity from exposure of their communist treason.

Currie and White were monetary experts, bent on wrecking the last free economy of the world, the American free enterprise economy. The reader may well wonder how international banking has been so closely tied up with communism, which advertises itself as the enemy of bankers. Actually, communism is the last reaction of an outmoded system of gold standard banking, financed and politically aided by those bankers, to the extent that when the German armies threatened this institution of communism, the American nation was sent out to save communism from extinction, by the great crusader, Franklin D. Roosevelt.

The most ominous pronouncement of the real rulers of the country, the trust owners who control finance and business, comes from Peter Drucker, a spokesman for them. In the *Saturday Evening Post* of October 28, 1944, on the occasion of the Bretton Woods agreements, Mr. Drucker wrote:

> Should the world adopt a controlled economic system, leadership would logically fall to the Soviet Union. Russia would be the model for such a dictatorship, for Russia was the first country to develop the technique of international economic control—for transacting monopoly directed foreign trade and foreign exchange money. Her independence and military success had shown us naturally what could be done with such policies, which explains the acceptance of these policies by independent labor unions and political parties the world over.

In the first place, Russia has no independence, as far

as her citizens are concerned. In the second place, as a military success she collapsed when Hitler marched against Moscow, and was saved only by American production and shipment of lend-lease supplies given by our people. Nevertheless, our trust-owners wholeheartedly admire the way Stalin and the Politburo have subjected the Russian people to their dictatorship, and our own version of Stalin and the Politburo are well on their way to doing the same thing.

This dictatorship cannot be exercised without the control of money and credit. If Congress actually had retained its sovereignty and refused to let Woodrow Wilson and Carter Glass hand over the sovereign right of coinage and the issue of our money to private bankers in 1913, the American people today would not stand on the brink of slavery. The Federal Reserve System has been the death of our Constitution. The Federal Reserve Board of Governors, chosen by and working for the powerful international bankers, have inflicted catastrophe after catastrophe upon our people. They have involved us in two World Wars; they have planned and executed two of the worst economic depressions we have ever suffered. The American people have been kept in ignorance of the forces working against them. The love of liberty, the innate self reliance, and the uncompromising individualism of the native American must assert itself against the control of the Federal Reserve Board if we are to renew the American Republic.

To quote Dr. Hans F. Sennholz, Chairman of the Department of Economics at Grove City (Pa.) College:

> The Federal Reserve System facilitates the government's own inflationary financing "in period of emergency." It makes easy the inflationary financing of budget deficits and the inflationary refunding of government loans. It stabilizes the government bond market through inflationary methods and manipulates this market to the advantage of the government. It does all this by wrecking the purchasing power of

the dollar; by subtly stealing from the people of this country what it thus provides for the government, through a process exactly on a par with the coin-clipping of ancient kings—but much more diabolical because so much less visible.

It is no answer to these facts that the present Board of Governors are honorable men, with the best of intentions. Most socialists (and especially those who do not recognize themselves as socialists) have good intentions. That is what makes them so dangerous—and has brought the economies of France and England into their present miserable state. The simple truth is that without the Federal Reserve System there can be no continuing march towards socialism, and with it there can be no free economy. That is why the adherents of liberty and capitalism cannot rest until the Federal Reserve System has been abolished.

Precisely 110 years ago Karl Marx enumerated in his *Communist Manifesto* ten prerequisites for a successful revolution and the conversion of any nation into a socialist state. Point 5 reads: "Centralization of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly." Since the abolition of the gold standard in 1933 this point has been realized in America, for all essential purposes. The Federal Reserve System constitutes its realization.

Dr. Russell Lee Norburn's recommendations made to the House Subcommittee on Domestic Finance of the Committee on Banking and Currency during the second session of the 88th Congress (quoted in Chapter 18) provide a base for a sound and workable approach for action toward the elimination of the flagrantly un-American use of the Federal Reserve by the international banking hierarchy in their evil drive toward one world socialism.

Before we proffer the provisions we suggest be incorporated in an amendment to the Federal Reserve Act, we

feel that it should be clearly understood that no one can expect the banking hierarchy to give up its extremely profitable financial position and the associated political control of the American people without a terrific struggle. This organism which is rapidly assuming political control of the entire world has been establishing and meeting its schedules of worldwide take-over for more than 200 years, under the leadership of the Rothschilds. It has planned and promoted every war during this period, including our own Revolution and Civil War. It has financed and supplied both sides in each war. This juggernaut, to which control of our money is a most important source of power, will crush many of us and thrust every possible monkey wrench into our financial and political machinery to keep from giving up the cords that bind and bleed us. But the handwriting of fate is plainly visible. Our choice is simply this: either we succumb to this group, in which event our children will certainly reap the reward of the abject slavery to come, or we make the prodigious effort necessary to elect congressmen who will represent We the People and will pass an amendment to the Federal Reserve Act along the lines suggested here. Herein lies our only hope for recovering what is left of our chances of returning to the Christian tenets of our Constitution and the liberty and freedom which it was designed to establish and protect.

The Congress should take action along these lines:

1. Rescind from the Federal Reserve Act the authorization for the Federal Reserve to issue money against donated government interest-bearing obligations or otherwise.

2. Retrieve the gold certificates from the Federal Reserve, thus returning to our federal government the full and unquestioned title to all the gold remaining in Fort Knox, and whatever other gold the Federal Reserve owns or controls.

3. Retrieve from the Federal Reserve all the U.S. in-

terest-bearing obligations it owns or controls, replacing them with the new U.S. money.

4. Recover from the Federal Reserve all excess surplus, and profits which have accrued from the past free gifts to it of bonds and money.

5. Make the Federal Reserve subject to regular public audit and examination. This directive should be retroactive.

Permit the Federal Reserve to continue as a private profit-making organization, fulfilling its function of commercial banking and finance, but limit its profits to a reasonable return on its investment, recognizing and treating the Federal Reserve as the banking monopoly it is.

The Congress should also authorize the Treasury Department to:

1. Issue non-interest bearing U.S. Notes as our new currency.

2. Replace all Federal Reserve Notes with the new U.S. Notes, except for those held by the Federal Reserve which it has acquired without trading something of comparable value.

3. Recall all of those interest-bearing U.S. obligations which are held by the Federal Reserve.

4. Recall all of those interest-bearing U.S. obligations which are privately held, and give in exchange new U.S. Notes.

5. Lend to the Federal Reserve and other banking institutions whatever monies are necessary for their lending operations, taking in return interest-bearing obligations which shall bear a reasonable rate of interest, payable to the U.S. Treasury.

There is every reason to believe that an amendment along these lines will accomplish the so seriously essential recapture of money control by the Congress with a minimum of financial and economic dislocation.

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These shocking secret facts and many others about the Federal Reserve and its ramifications are documented in this book:

1. The Federal Reserve System is really a privately owned central bank, organized for profit and independent of all branches of our government.

2. It is managed by international bankers, mostly foreigners, whose names seldom appear publicly and never in relation to Federal Reserve matters. Their only interest is profit, through government control and money issue.

3. This insatiable profit appetite has destroyed the effectiveness of the Constitution, robbed our people of their liberties, created our tremendous central government, and made it a socialist welfare state, which consciously undermines the morale and morals of each of us in order to enslave us more effectively.

4. These greedy people have managed to:

(a) Buy all government bonds issued at a price of zero, on which they receive some $14 billion in interest per year from our taxes.

(b) Receive more than $3 billion profit from the confiscation of privately held gold in 1934 (paid $20.67 an ounce for it; President Roosevelt immediately boosted the price to $35.00).

(c) Obtain, as special treatment, freedom from income tax on any earnings, including above interest and profits.

5. The gold in Fort Knox has never belonged to the government, which is merely the unpaid custodian. The Federal Reserve received gold certificates covering every ounce of it. And the international banker dictators have, through communist friends at the Bretton Woods Conference, managed to develop more than twice the claims on gold needed to empty Fort Knox to foreign claimants overnight.

6. The names of those who actually own voting stock in the Federal Reserve have never been divulged, not even to the President or Congress.

7. Federal Reserve is essentially the dictator of this country, similar to the Comintern in Russia.

8. Local commercial bank administrators are largely unaware of these facts. It has taken more than 50 years to document complete evidence of this fraud. Before the gold confiscation act was passed, Rep. Louis T. McFadden (R-Pa.), Chairman of the House Banking and Currency Committee, described it as the greatest piece of thievery in history.